



國泰金控

Cathay Financial Holdings

2019 First Quarter Briefing

May 2019



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Agenda

- **1Q19 Business Overview**
- **Overseas Expansion**
- **Business Performance Summary**
 - Cathay United Bank
 - Cathay Life
 - Cathay Century
- **Cathay Life Embedded Value & Appraisal Value**
- **Impact of IFRS 17**
- **Appendix**

1Q19 Business overview

Cathay United Bank

- Delivered solid loan and deposit growth with benign credit quality.
- Overseas expansion continued. FX loan grew steadily.
- Fee income continued to increase. Wealth management fee grew 10% YoY. Number of active cards ranked No.1 in the industry.

Cathay Life

- Focused on value-driven strategy. FYP for protection products grew ~70% YoY. FYPE remained No. 1 in the industry.
- Cost of liability continued to improve. Pre-hedging recurring yield increased to 3.34%.
- The shareholders' equity rebounded sharply. Unrealized G/L of financial assets has turned positive.

Cathay Century

- Premium income grew 7% YoY. Remained in second place with 11.8% market share.
- Developed online business in China and enlarged local team in Vietnam. Overseas premium income continued to rise.

Cathay SITE

- Ranked No.1 in terms of AUM, which amounted to NT\$727.1 BN.
- Recognized by Asia Asset Management, Asian Investor, Benchmark and received Morning Star & Smart Magazine Taiwan Fund Award and TFF-Bloomberg Best Fund Award in 2019.

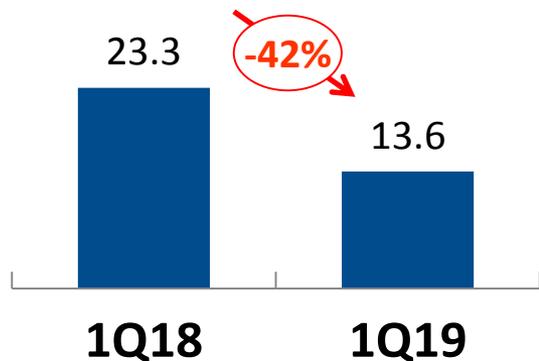
Cathay Securities

- Brokerage business grew steadily. Sub-brokerage market share ranked No.1.
- Optimized customer experience with new digital business model.

Cathay FHC – Net income & EPS

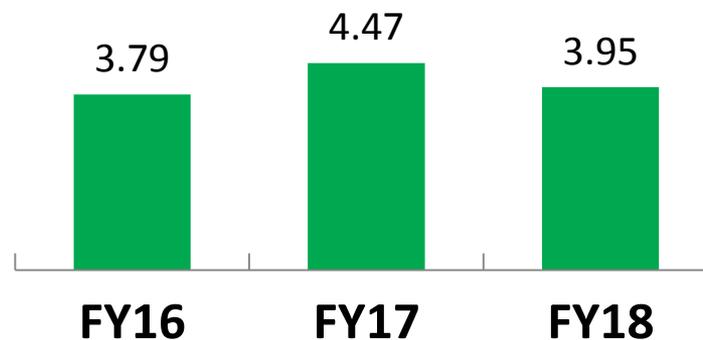
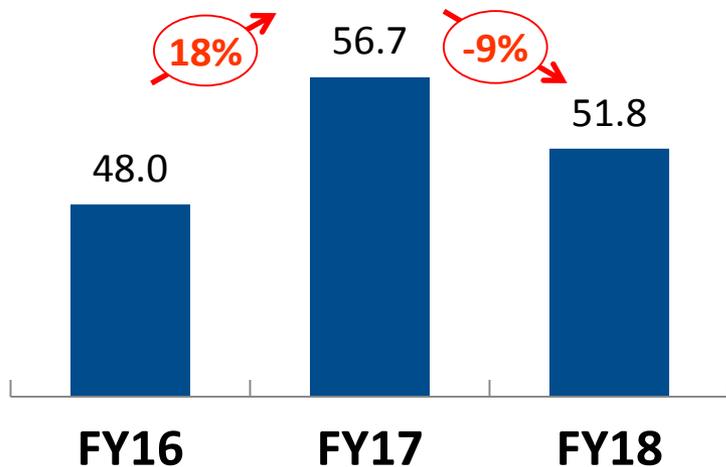
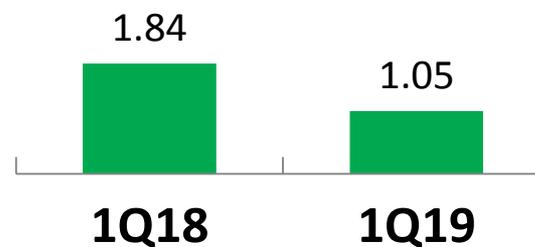
Net income

(NT\$BN)



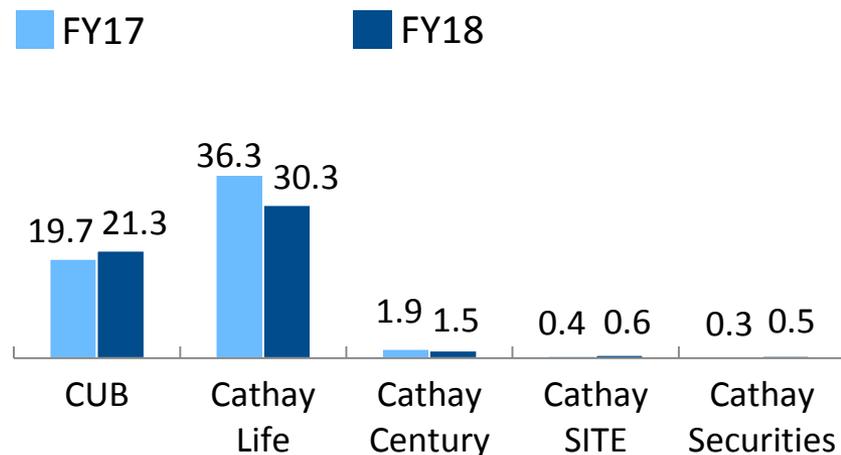
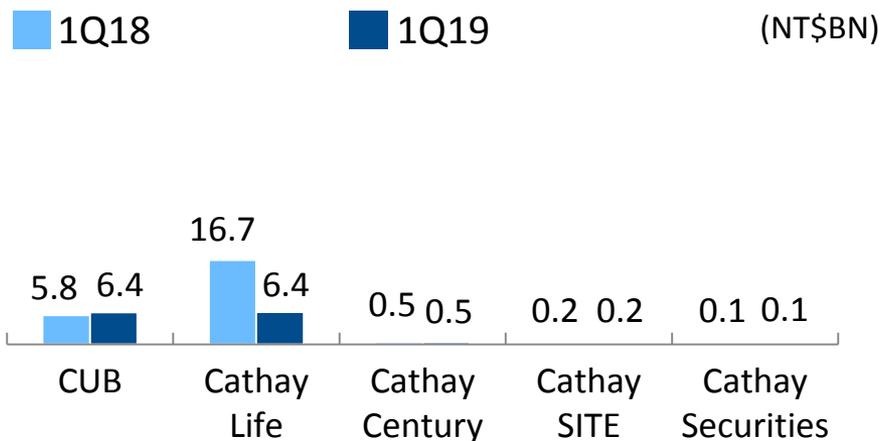
EPS

(NT\$)

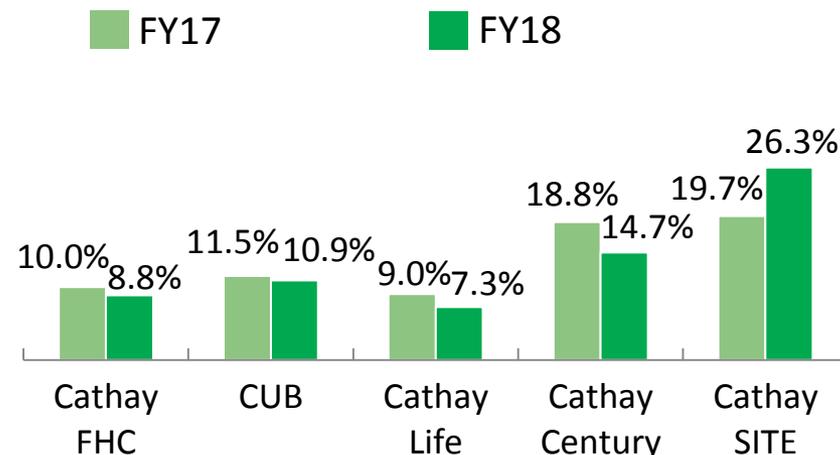
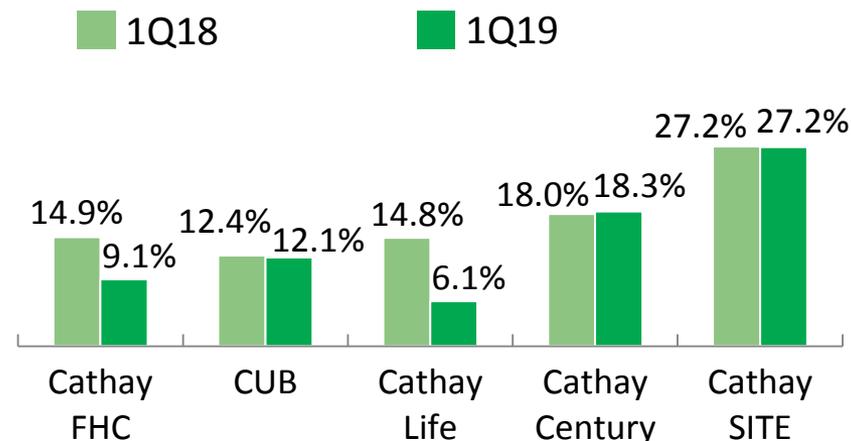


Cathay FHC – Net income & ROE

Net income of primary subsidiaries

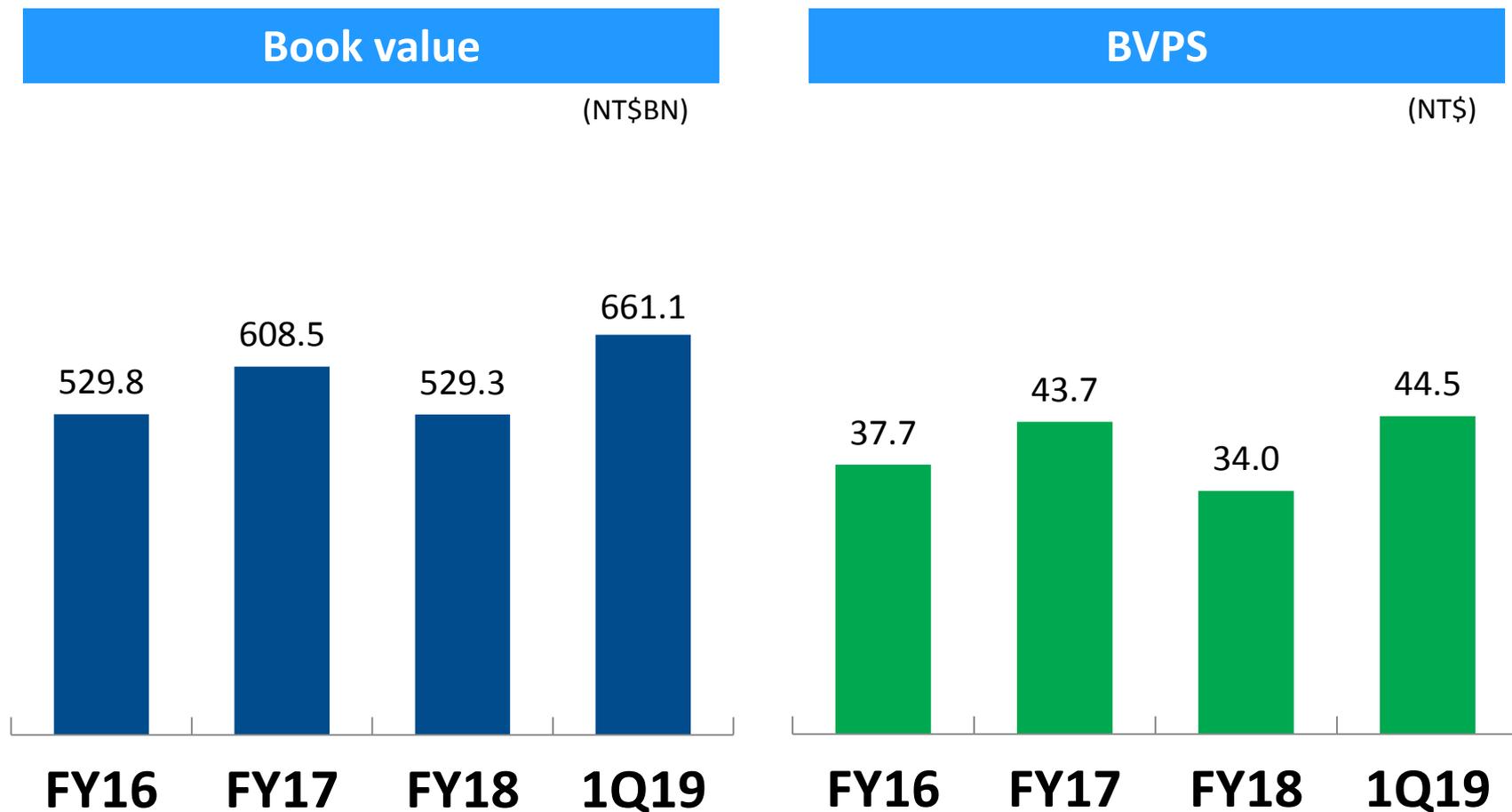


ROE



Note : Starting from 1Q18, ROE calculation was based on IFRS 9.

Cathay FHC – Book value & BVPS



Note : (1) Book value includes preferred shares and minority interests, BVPS represented BVPS attributable to common shareholders.

(2) Starting Jan.1, 2018, the reporting was based on IFRS 9.

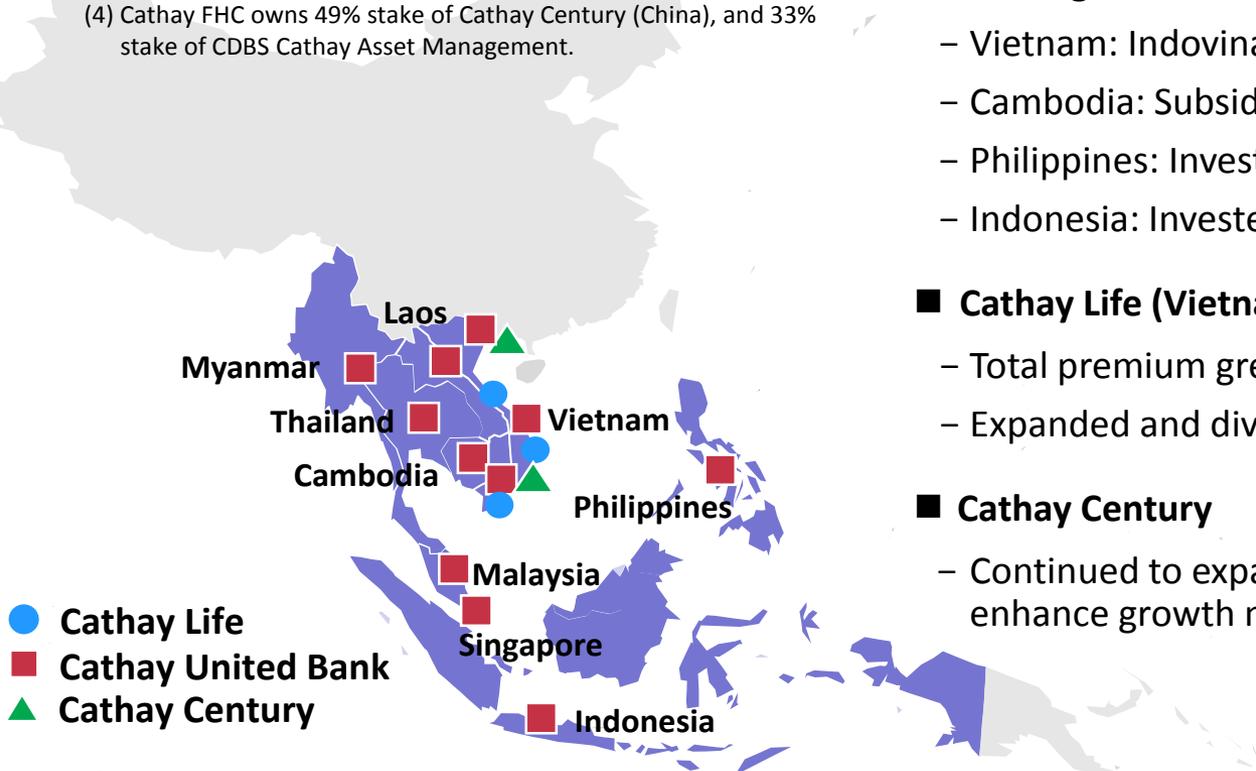
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Cathay FHC in South East Asia

| | China | Vietnam | Cambodia | Hong Kong | Singapore | Malaysia | Laos | Philippines | Thailand | Myanmar | Indonesia |
|------------|-------------------|---------|----------|-----------|-----------|----------|------|-------------|----------|---------|-----------|
| Bank | 7 | 36 | 16 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Life | 51 ⁽¹⁾ | 64 | | | | | | | | | |
| P&C | 27 | 2 | | | | | | | | | |
| Asset Mgt. | 1 | | | 1 | | | | | | | |
| Securities | | | | 1 | | | | | | | |

- Note: (1) Henan branch office opened in January, 2019.
 (2) Footprints in Thailand, Myanmar and Indonesia are rep. offices.
 (3) Investments in RCBC and Bank Mayapada are funded by Cathay Life.
 (4) Cathay FHC owns 49% stake of Cathay Century (China), and 33% stake of CDBS Cathay Asset Management.



■ Banking

- Vietnam: Indovina Bank performed steadily.
- Cambodia: Subsidiary's businesses grew steadily.
- Philippines: Invested 23% stake in RCBC⁽³⁾
- Indonesia: Invested 40% stake in Bank Mayapada⁽³⁾

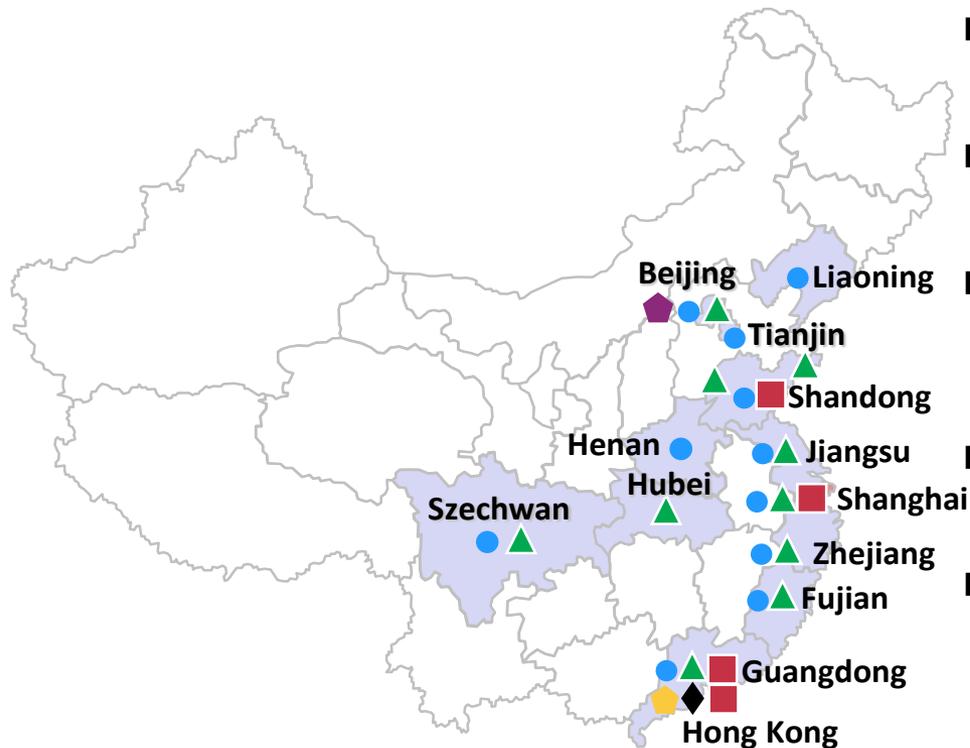
■ Cathay Life (Vietnam)

- Total premium grew 58% YoY to VND 204BN in 1Q19.
- Expanded and diversified distribution channels.

■ Cathay Century

- Continued to expand local distribution channels to enhance growth momentum.

Cathay FHC in China



- Cathay Lujiazui Life
- Cathay United Bank
- ▲ Cathay Century (China)
- ◆ Cathay Securities
- ◆ Conning Asia Pacific Limited
- ◆ CDBS Cathay Asset Management Company

- **Cathay United Bank**
 - The China subsidiary grew steadily.
- **Cathay Lujiazui Life**
 - Total premium grew 16% YoY to RMB 800MN in 1Q19.
- **Cathay Century (China)**
 - Formed a strategic alliance with Ant Financial group to capture new business opportunities.
- **Cathay Securities (HK)**
 - Each business line grew steadily.
- **JV with China Development Bank Securities (CDBS Cathay Asset Management)**
 - Continued to launch new products. Mainly focused on fixed income funds.
- **Conning Asia Pacific Limited**
 - Continued to expand asset management business.

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Cathay United Bank

Cathay Life

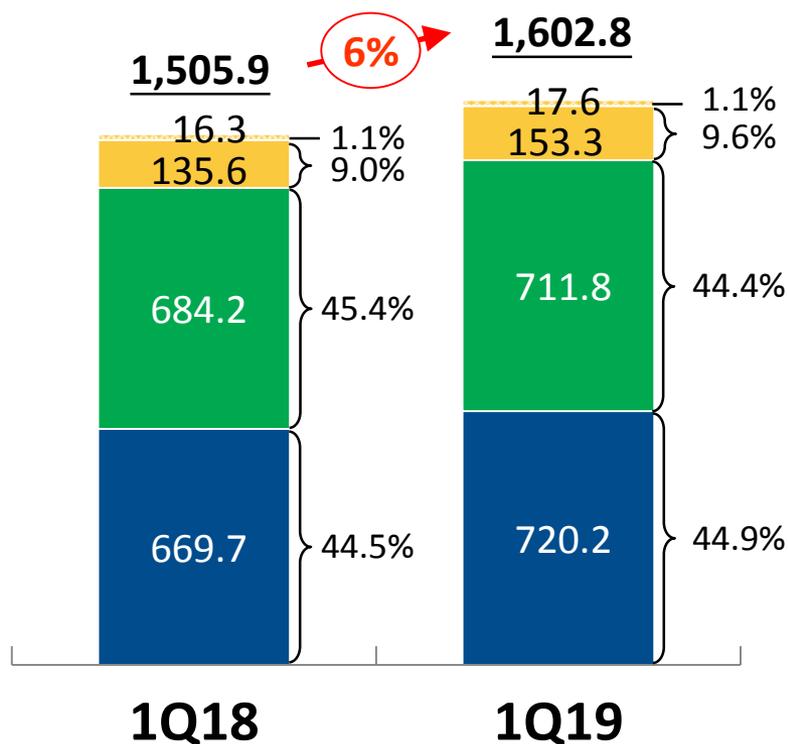
Cathay Century

- **Cathay Life Embedded Value & Appraisal Value**
- **Impact of IFRS 17**
- **Appendix**

Cathay United Bank – Loan & Deposit breakdown

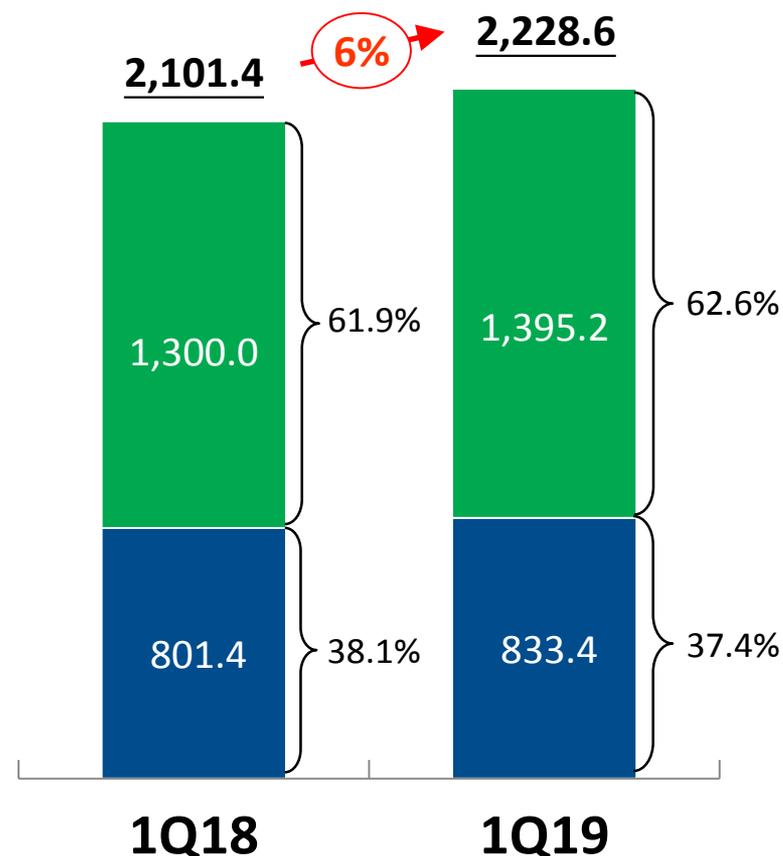
Loan breakdown

-  Credit card related (NT\$BN)
-  Consumer
-  Mortgage
-  Corporate

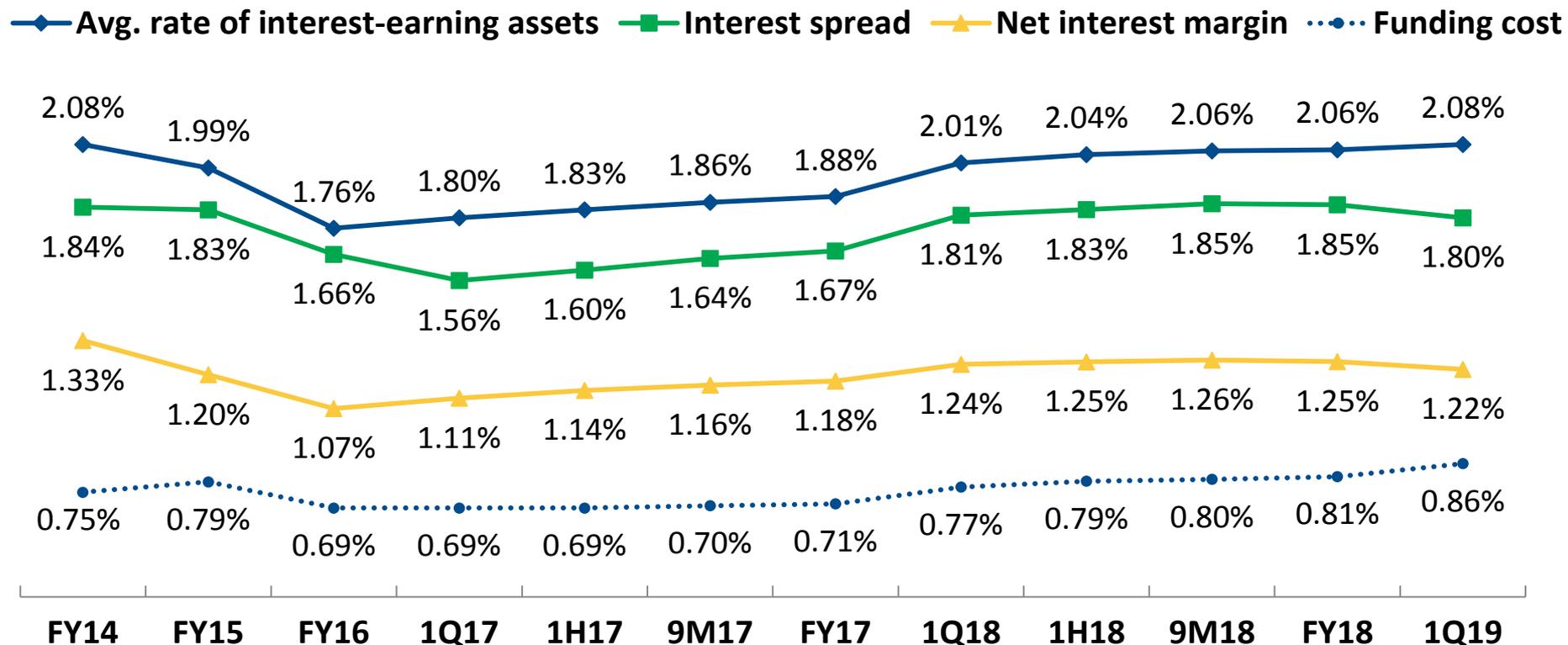


Deposit breakdown

-  Demand deposit (NT\$BN)
-  Time deposit



Cathay United Bank – Interest yields



| | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18 | 1Q19 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Quarterly | | | | | | | | | |
| Spread | 1.56% | 1.64% | 1.74% | 1.76% | 1.81% | 1.85% | 1.90% | 1.83% | 1.80% |
| NIM | 1.11% | 1.18% | 1.20% | 1.22% | 1.24% | 1.26% | 1.27% | 1.22% | 1.22% |
| NIM-pro forma excl. China⁽²⁾ | | | | 1.19% | 1.21% | 1.22% | 1.25% | 1.22% | 1.22% |

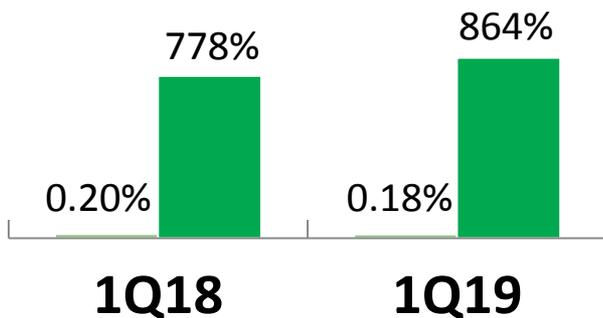
Note : (1) Credit card related loans are included in the calculation of interest spread.

(2) China subsidiary was launched in Sep 2018. Hence, since 9M18, China subsidiary results was excluded.

Cathay United Bank – Credit quality

NPL & Coverage ratio

- NPL ratio
- Coverage ratio



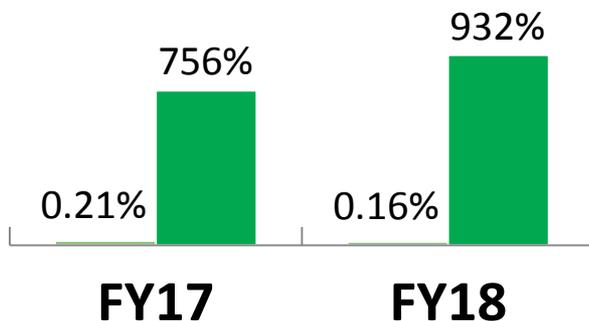
1Q18

1Q19

Mortgage NPL

0.14%

0.19%



FY17

FY18

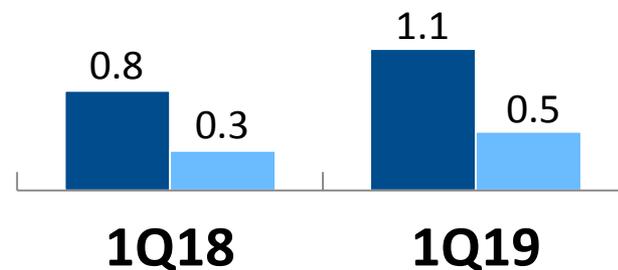
Mortgage NPL

0.15%

0.15%

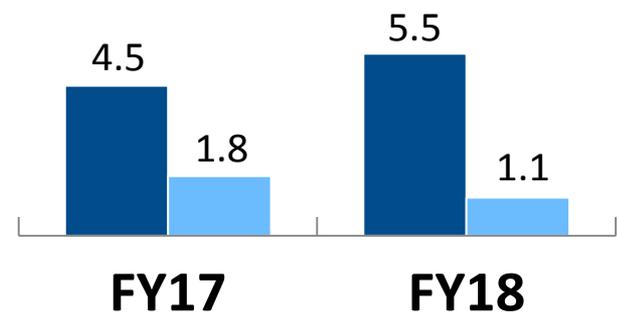
Gross provision

- Gross provision (NT\$BN)
- Recovery



1Q18

1Q19



FY17

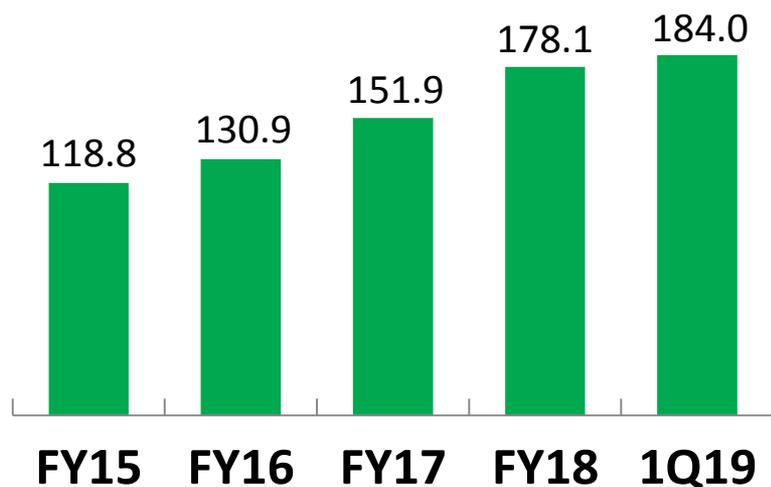
FY18

Note : China subsidiary was launched in Sep 2018. Hence, 1Q19 number excluded China subsidiary results. (NPL ratio: 0.00%, Coverage ratio: 0.00%, Gross provision: NT\$-36.7MN, Recovery: 0; preliminary).

Cathay United Bank – SME & FX loans

SME loans

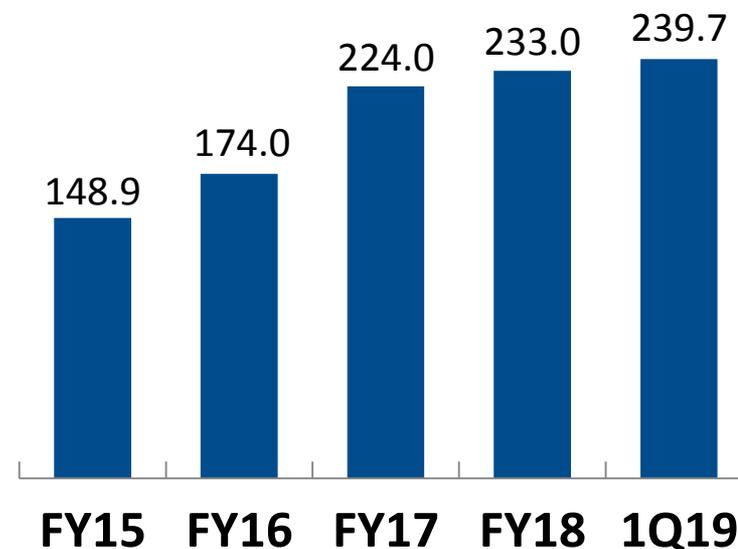
(NT\$BN)



FY15 FY16 FY17 FY18 1Q19

Foreign currency loans

(NT\$BN)



FY15 FY16 FY17 FY18 1Q19

As % of total loans

10.6% 9.2% 10.7% 11.4% 11.6%

13.3% 12.2% 15.8% 15.0% 15.1%

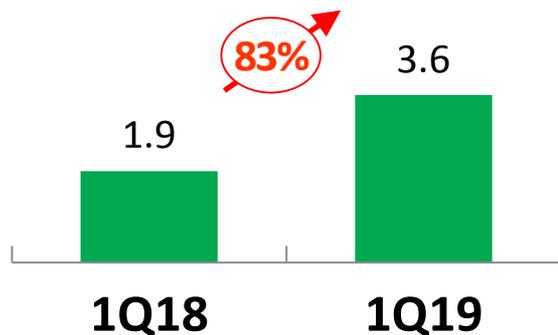
Note : (1) Total loans exclude credit card revolving balance.

(2) China subsidiary was launched in Sep 2018, hence 1Q19 foreign currency balance excluded NT\$17BN (preliminary) from China subsidiary.

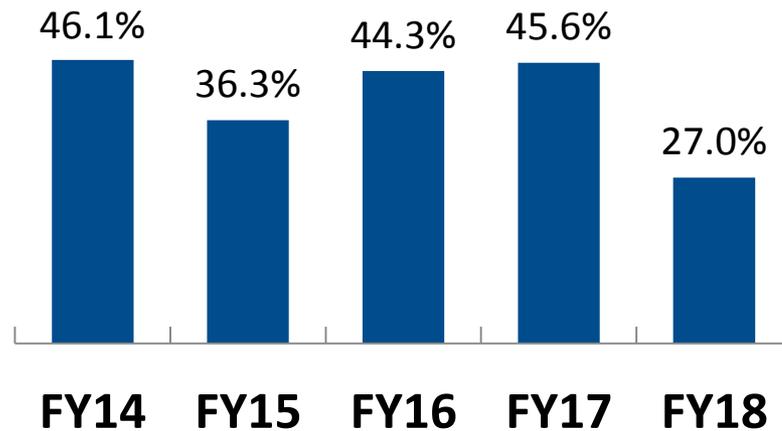
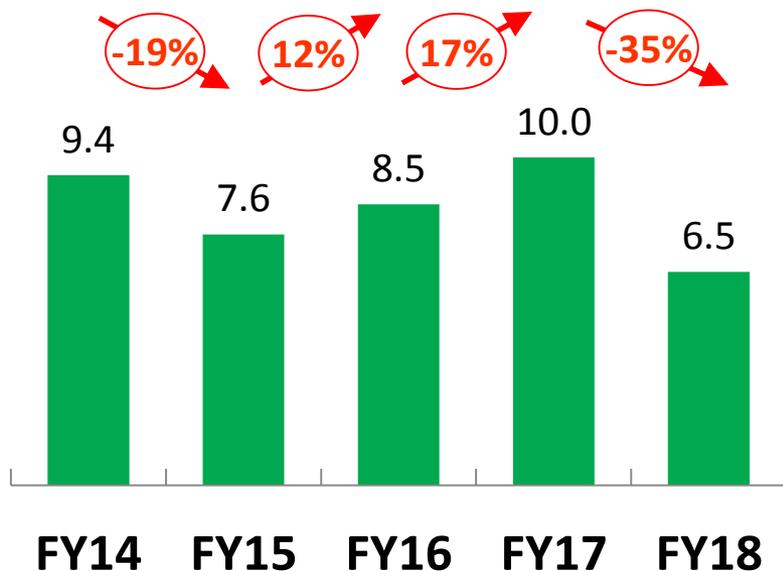
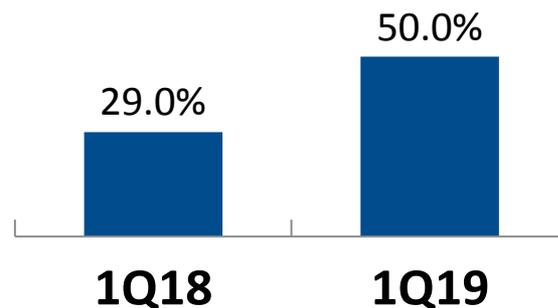
Cathay United Bank – Offshore earnings

Offshore earnings

(NT\$BN)

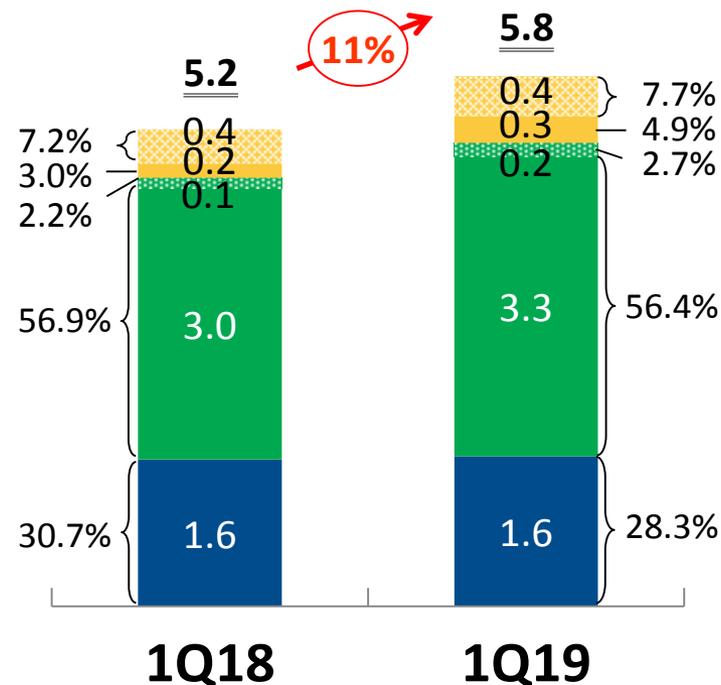
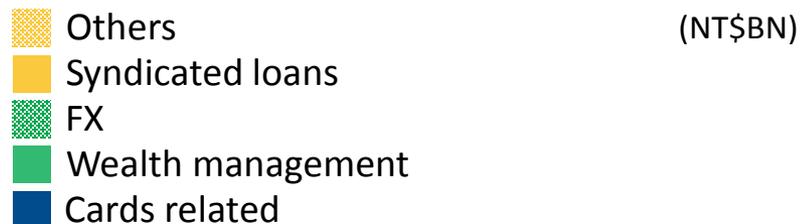


As % of CUB pre-tax profits

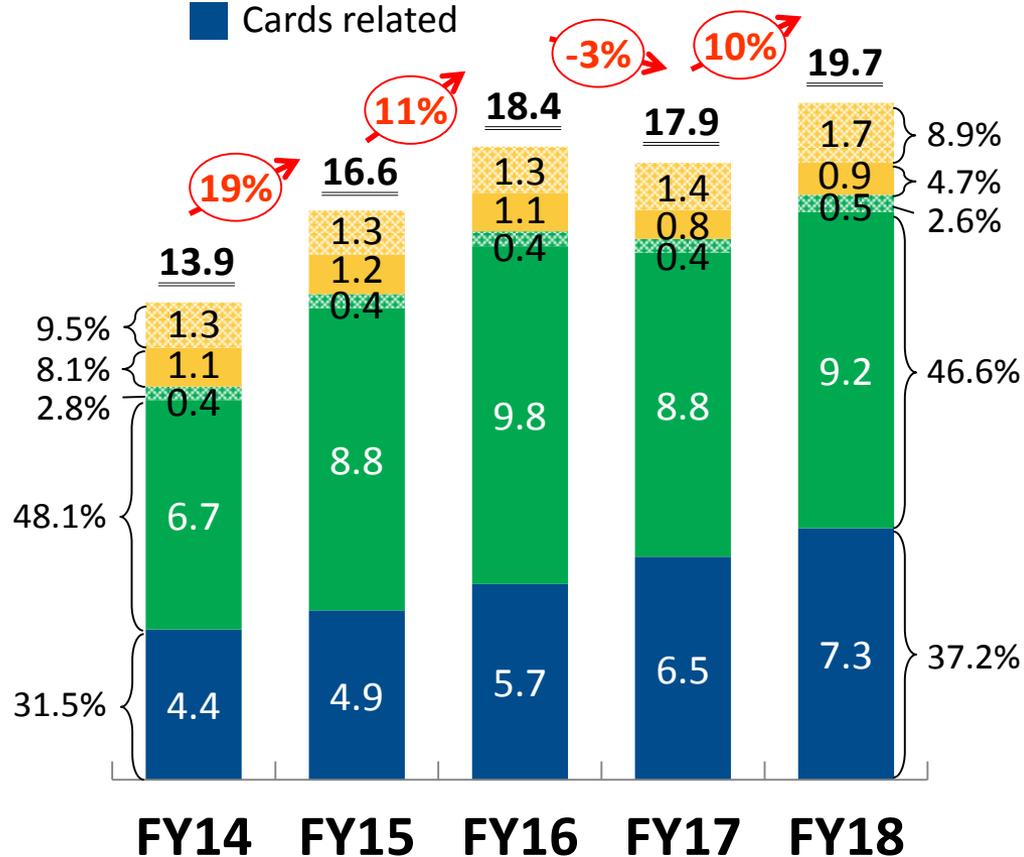
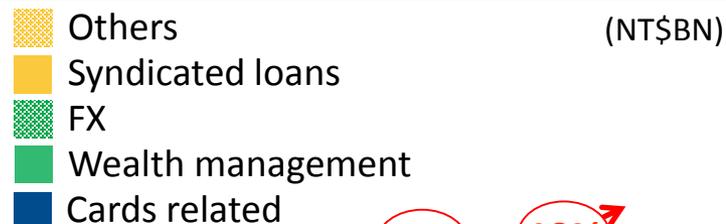


Cathay United Bank – Fee income

Quarterly fee income



Annual fee income

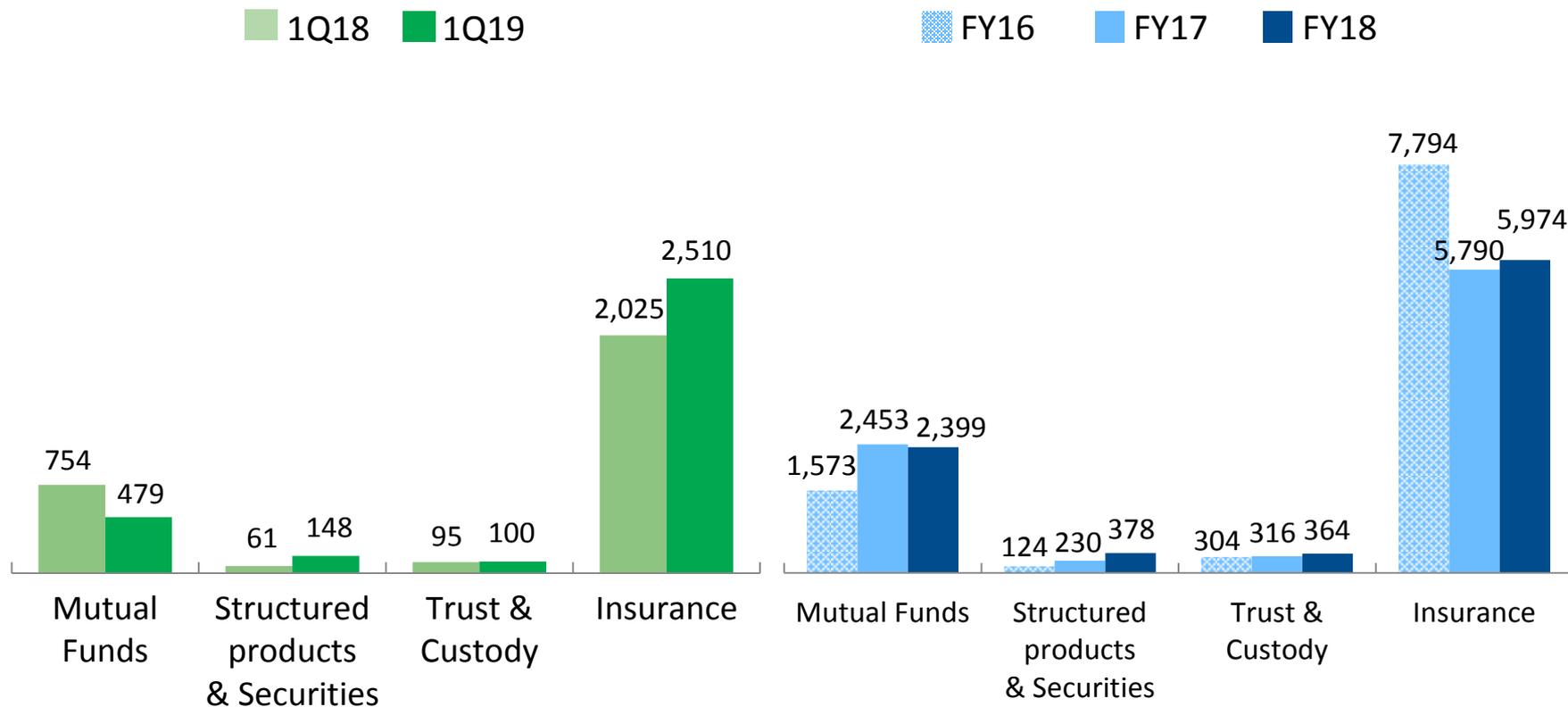


Note : China subsidiary was launched in Sep 2018, hence 1Q19 fee income excluded NT\$ 5.1MN (preliminary) from China subsidiary.

Cathay United Bank – Wealth management fee

Wealth management fee breakdown

| (NT\$MN) | 1Q18 | 1Q19 | FY16 | FY17 | FY18 |
|------------------------------|-------|-------|-------|--------|-------|
| Wealth management fee income | 2,952 | 3,252 | 9,828 | 8,837 | 9,183 |
| YoY growth (%) | 11.8% | 10.1% | 11.9% | -10.1% | 3.9% |



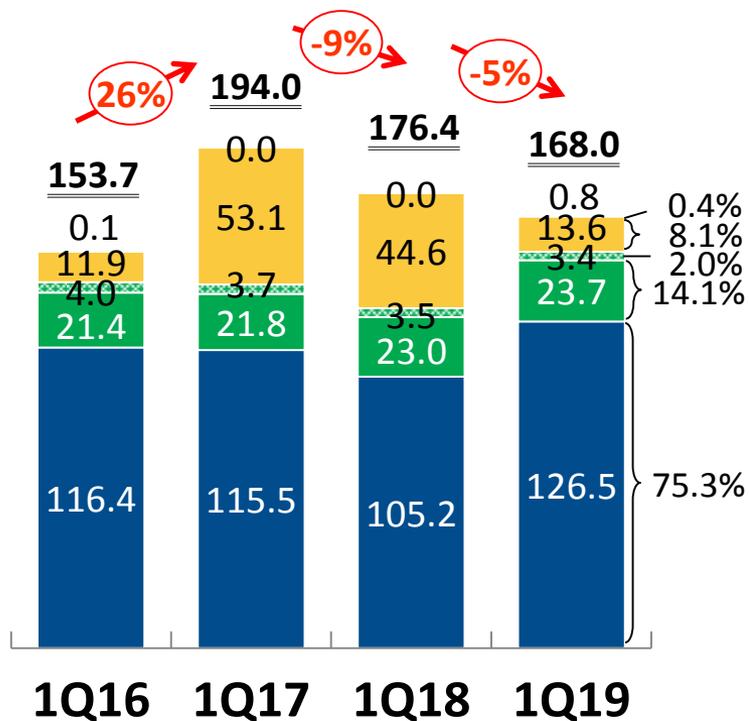
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Cathay Life – Total premium

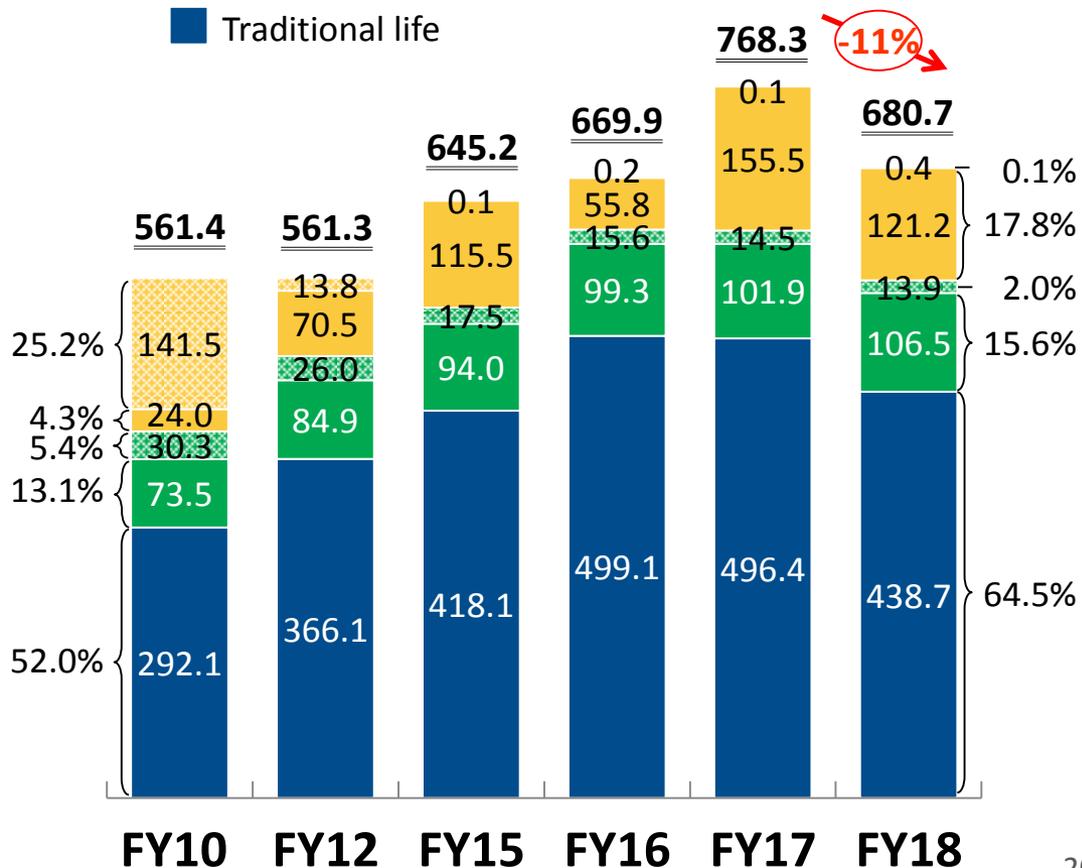
Quarterly total premium

- Interest sensitive annuity (NT\$BN)
- Investment-linked (non-VUL)
- Investment-linked (VUL)
- Health, accident and others
- Traditional life



Annual total premium

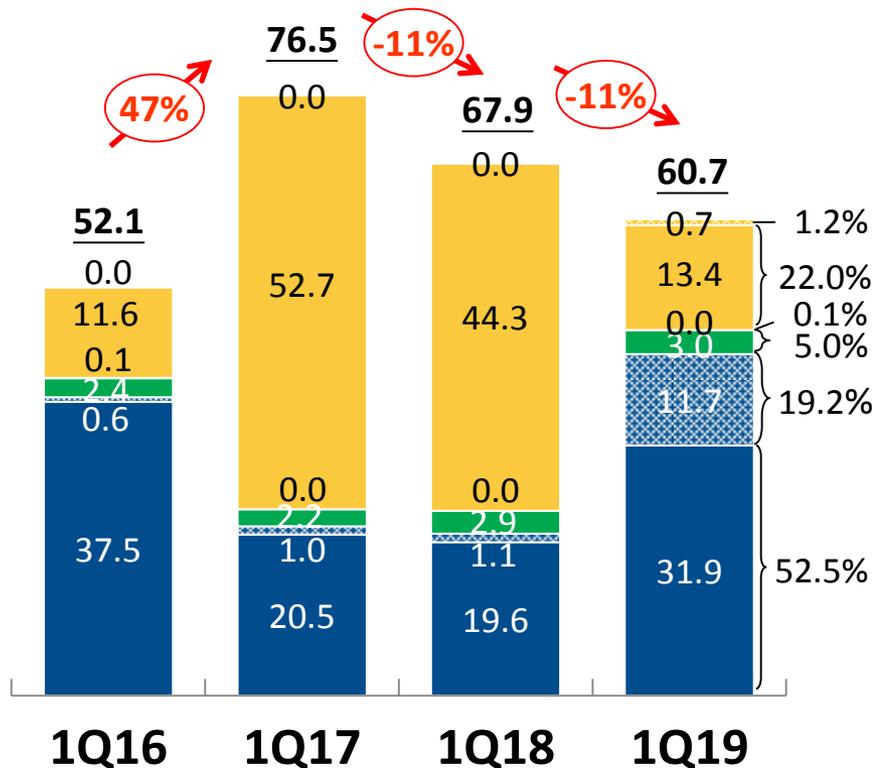
- Interest sensitive annuity (NT\$BN)
- Investment-linked (non-VUL)
- Investment-linked (VUL)
- Health, accident and others
- Traditional life



Cathay Life – Quarterly FYP & APE

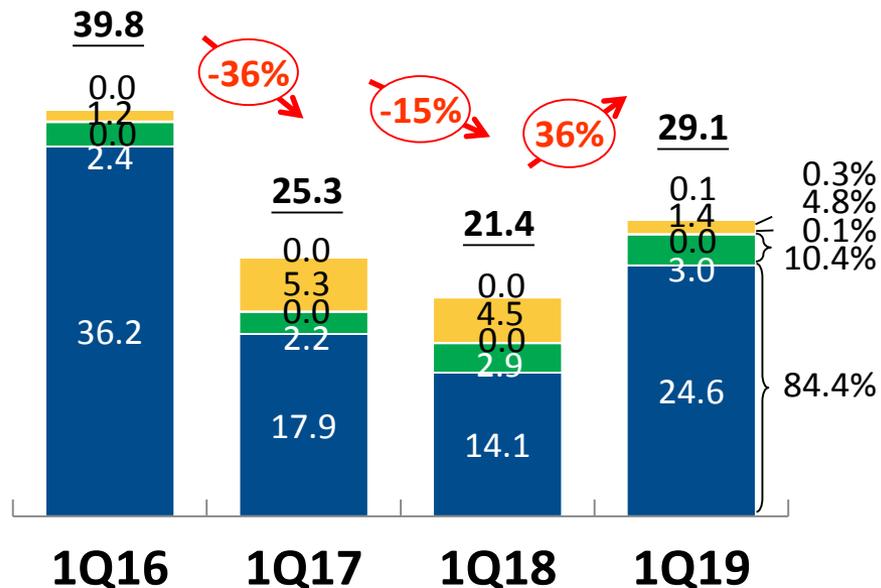
First Year Premium

- Interest sensitive annuity (NT\$BN)
- Investment-linked (non-VUL)
- Investment-linked (VUL)
- Health, accident and others
- Traditional life – single paid
- Traditional life – regular paid



Annualized FYP (APE)

- Interest sensitive annuity (NT\$BN)
- Investment-linked (non-VUL)
- Investment-linked (VUL)
- Health, accident and others
- Traditional life



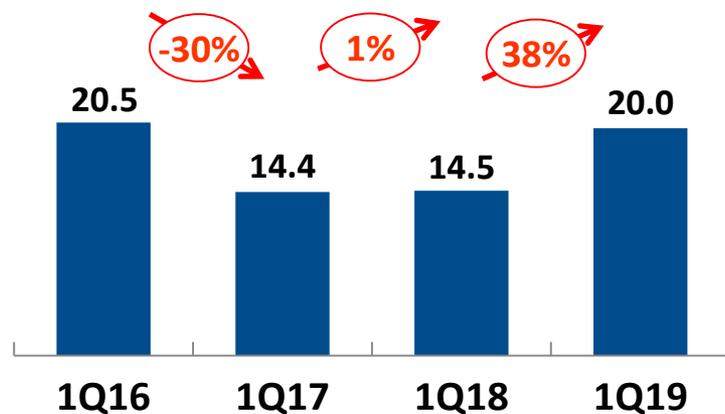
Note: Annualized FYP = 10% x single-paid FYP + 20% x 2-yr-paid FYP + ... + 50% x 5-yr-paid FYP + 100% x 6-yr and above payment term FYP

Cathay Life –Value of new business

Value for New Business

| Profit Margin | 1Q16 | 1Q17 | 1Q18 | 1Q19 |
|---------------|------|------|------|------|
| VNB/FYP | 39% | 19% | 21% | 33% |
| VNB/FYPE | 51% | 57% | 68% | 69% |

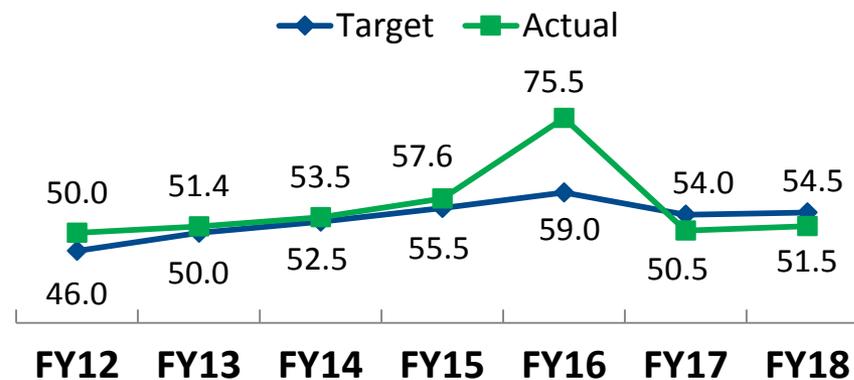
(NT\$BN)



Value for New Business (annual)

| Profit Margin | FY12 | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 |
|---------------|------|------|------|------|------|------|------|
| VNB/FYP | 19% | 26% | 23% | 27% | 38% | 22% | 24% |
| VNB/FYPE | 54% | 70% | 75% | 57% | 56% | 64% | 72% |

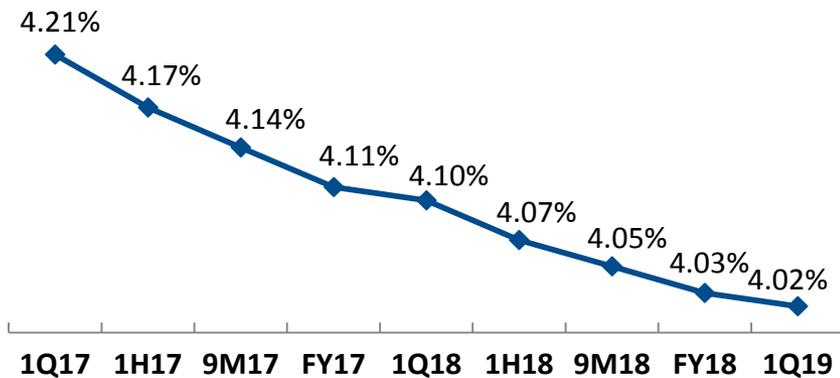
(NT\$BN)



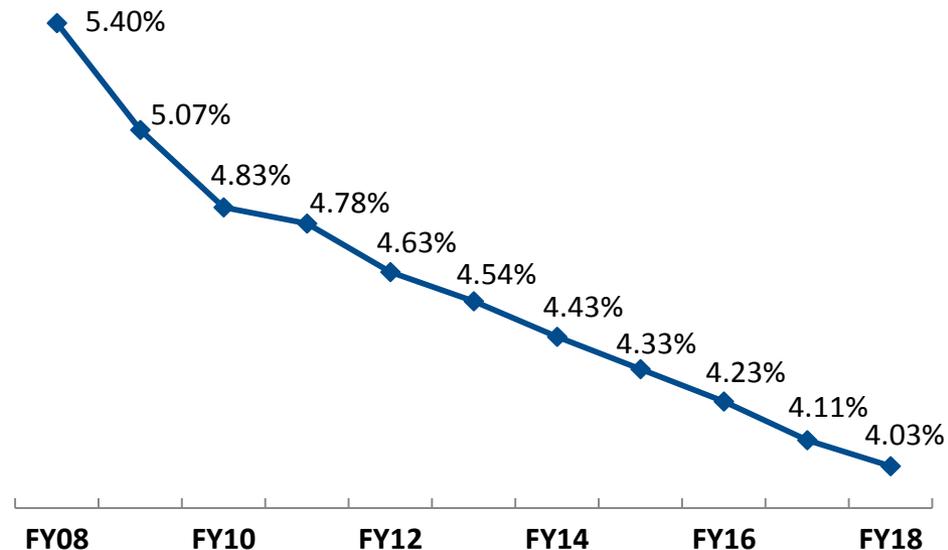
YoY **3%** **4%** **8%** **31%** **-33%** **2%**

Cathay Life – Cost of liability

Cost of liability (quarterly)



Cost of liability (annual)



Note: The figures of cost of liability are reserve-based.

Cathay Life – Investment portfolio

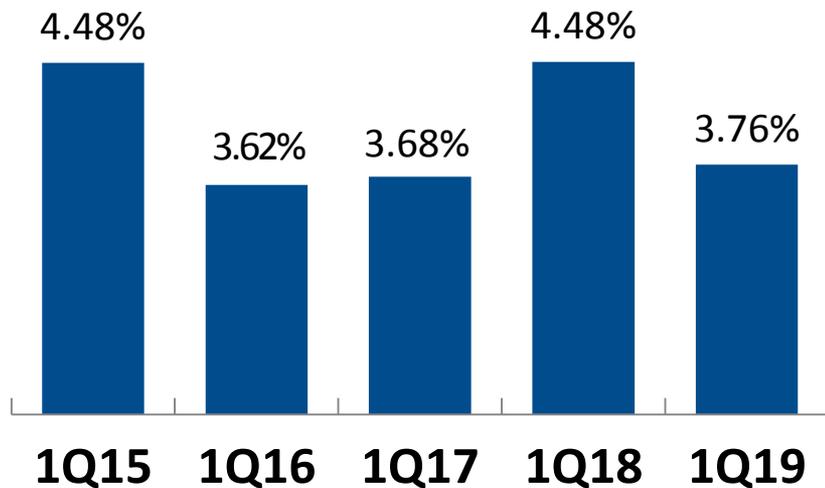
| (NT\$BN) | FY16 | FY17 | FY18 | | | 1Q19 | | |
|--|----------------|----------------|----------------|---------------|---------------|----------------|---------------|---------------|
| Total investments⁽¹⁾ | 5,001.1 | 5,502.6 | 5,761.0 | | | 5,985.9 | | |
| | Weight | Weight | Weight | Amount | Return | Weight | Amount | Return |
| Cash & Cash equivalents | 1.3% | 1.6% | 1.1% | 61 | 0.6% | 1.9% | 112 | 0.5% |
| Equity- Domestic | 7.9% | 8.4% | 7.5% | 431 | 9.6% | 7.3% | 434 | 3.5% |
| Equity- International ⁽²⁾ | 6.4% | 6.3% | 6.7% | 388 | 8.7% | 6.4% | 384 | 9.2% |
| Bond- Domestic | 6.5% | 5.5% | 5.0% | 287 | 3.6% | 5.3% | 319 | 6.3% |
| Bond- International ⁽¹⁾⁽²⁾ | 53.8% | 55.7% | 58.6% | 3,374 | 4.6% | 59.1% | 3,535 | 4.9% |
| Mortgage & Secured loans | 8.9% | 8.1% | 7.1% | 411 | 2.0% | 6.6% | 392 | 2.2% |
| Policy loans | 3.3% | 3.0% | 3.0% | 170 | 5.8% | 2.8% | 168 | 5.5% |
| Real estate | 9.8% | 9.2% | 8.7% | 501 | 2.3% | 8.6% | 512 | 2.7% |
| Others | 2.2% | 2.4% | 2.4% | 140 | | 2.1% | 128 | |

Note: (1) Total assets excluded separate account assets; international bond includes foreign currency deposit and related adjustments

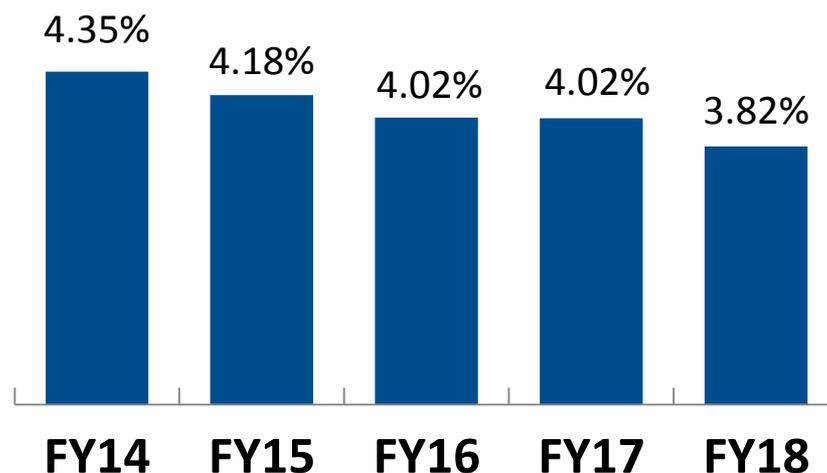
(2) Yields of international equity and international bond are pre-hedge investment yields.

Cathay Life – Investment performance highlight

After-hedging investment yield

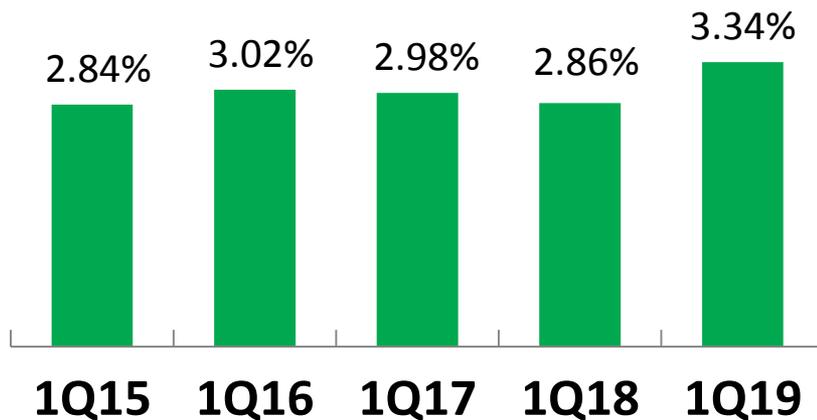


After-hedging investment yield



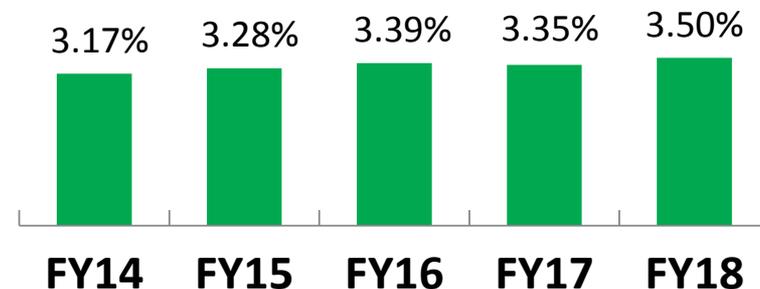
Cathay Life – Investment performance highlight

Pre-hedging recurring yield



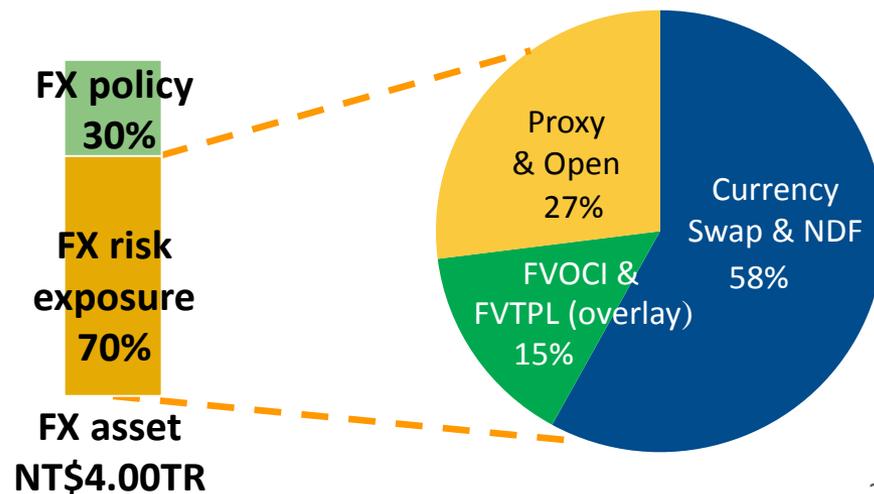
Note: Pre-hedging recurring income doesn't include capital gains but rental, interest revenue and cash dividend.

Pre-hedging recurring yield



Currency hedging structure

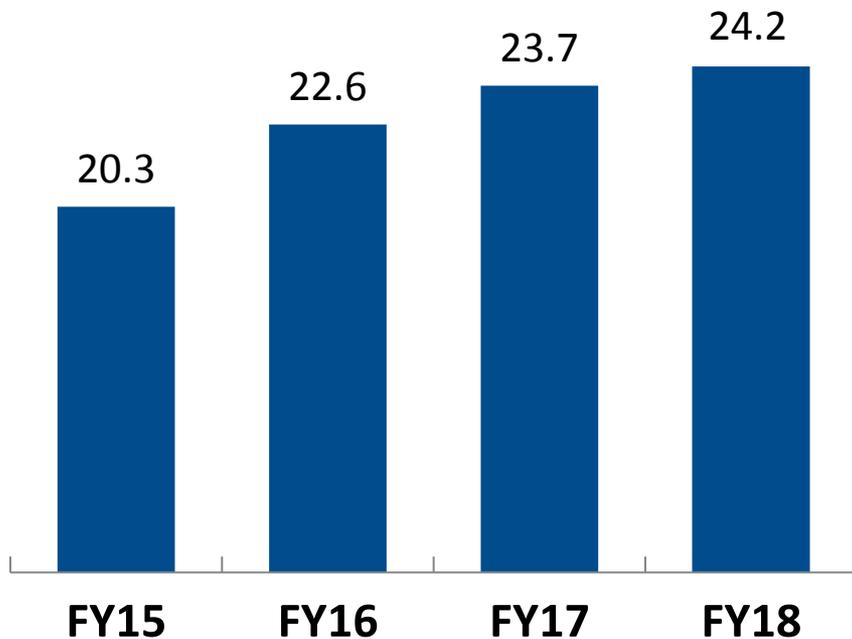
1Q19 Hedging cost 1.32%



Cathay Life – Cash dividend income & Overseas fixed income by region

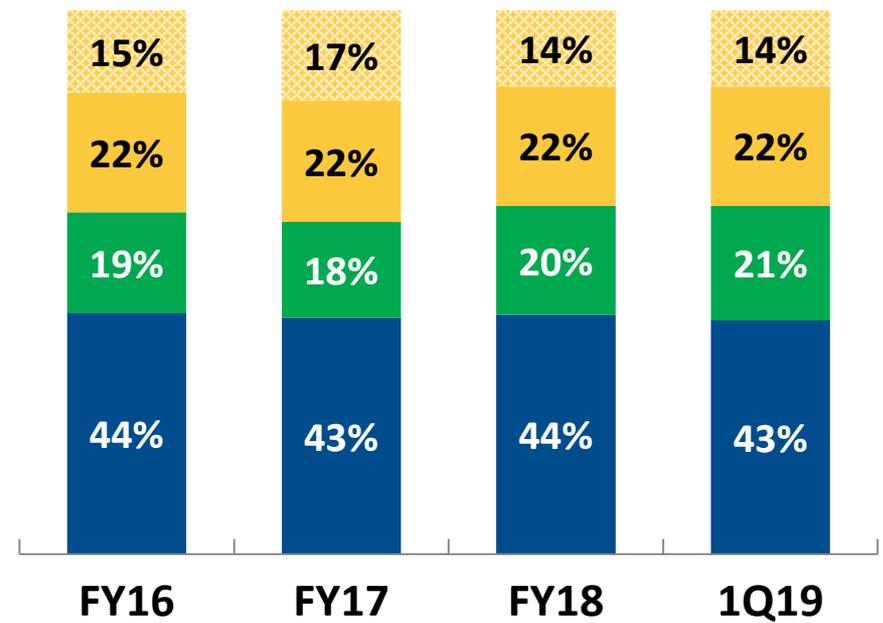
Cash dividend income

(NT\$BN)



Overseas fixed income by region

- Others
- Asia Pacific
- Europe
- North America

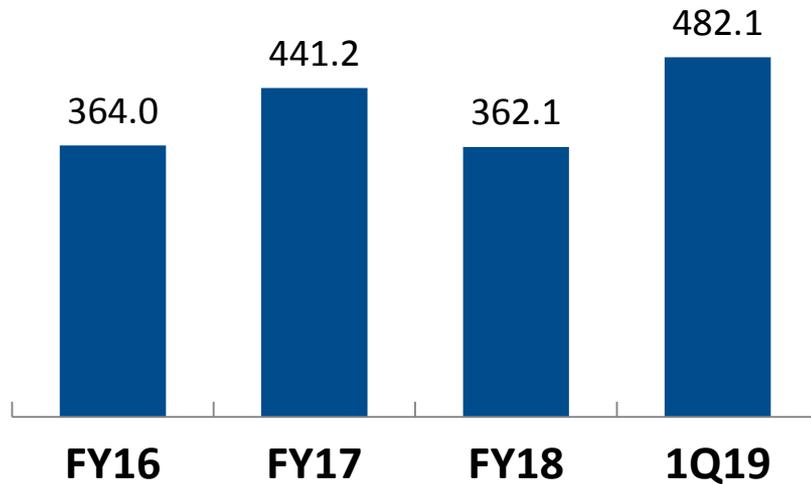


Note: Exclude overseas deposit.

Cathay Life – Book value & Unrealized G/L of financial assets

Book value

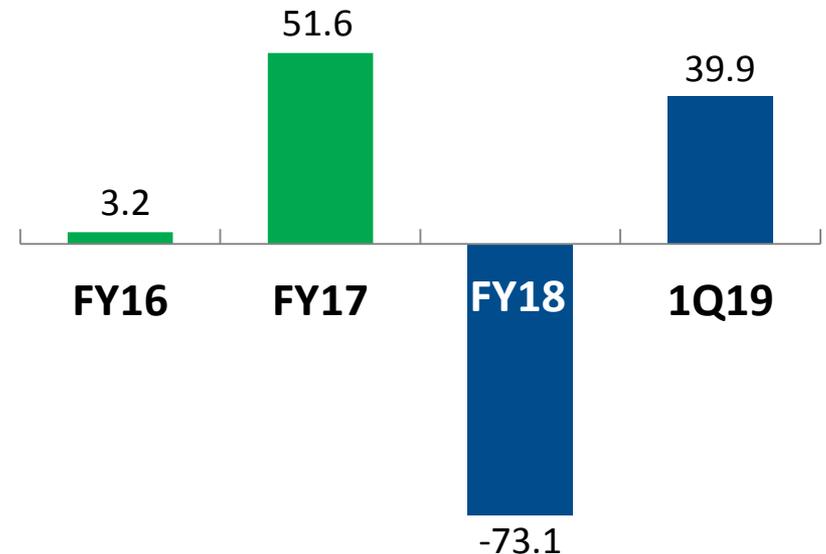
(NT\$BN)



Unrealized G/L of financial assets

(NT\$BN)

- AFS financial assets
- FVOCI & FVTPL (overlay approach)

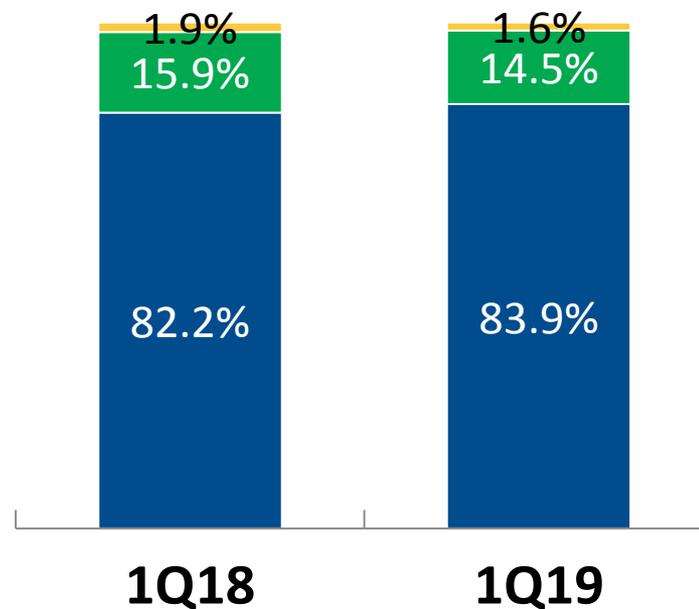
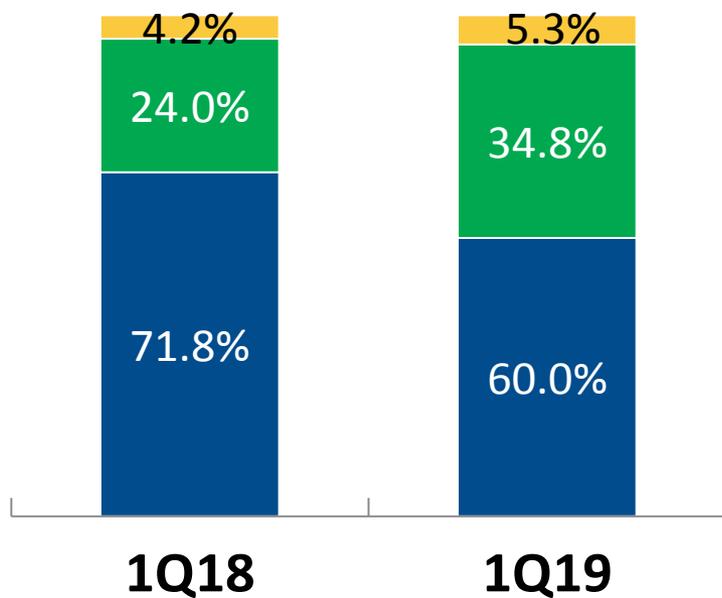


Cathay Life – Distribution channel

First Year Premium

Annualized FYP (APE)

- Others
- Bancassurance-CUB
- Tied agents

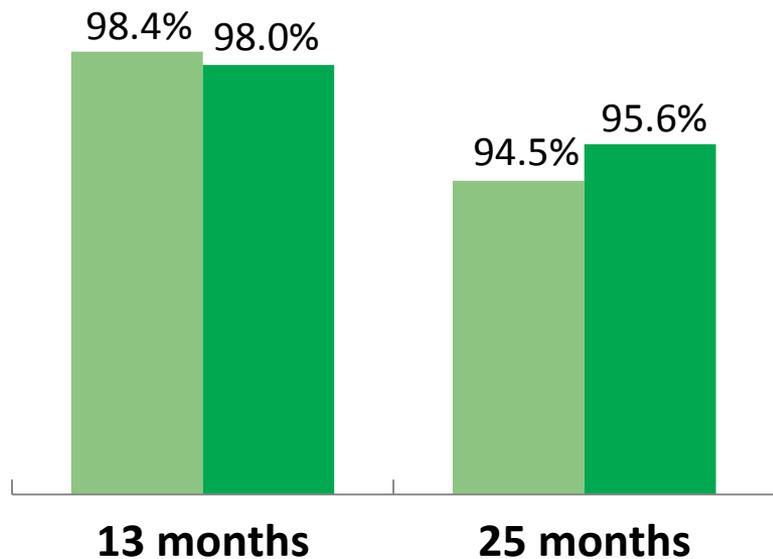


Cathay Life – Operational indicators

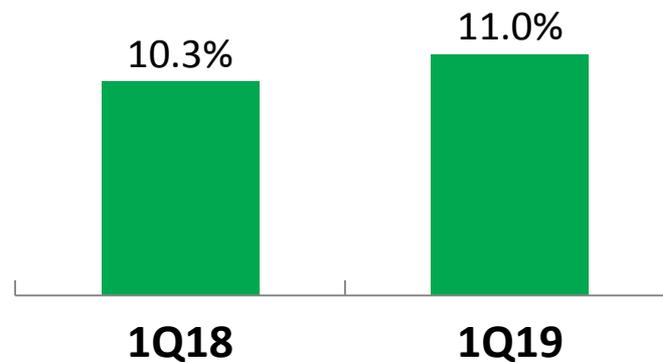
Persistence ratio

■ 1Q18

■ 1Q19



Expense ratio



Agenda

- **1Q19 Business Overview**

- **Overseas Expansion**

- **Business Performance Summary**

Cathay United Bank

Cathay Life

Cathay Century

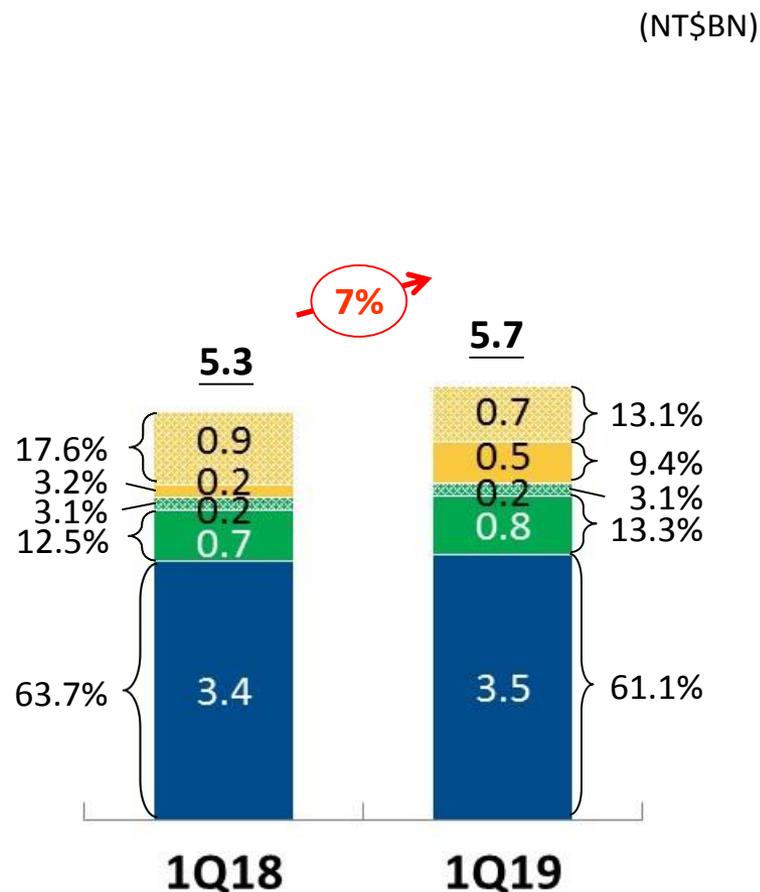
- **Cathay Life Embedded Value & Appraisal Value**

- **Impact of IFRS 17**

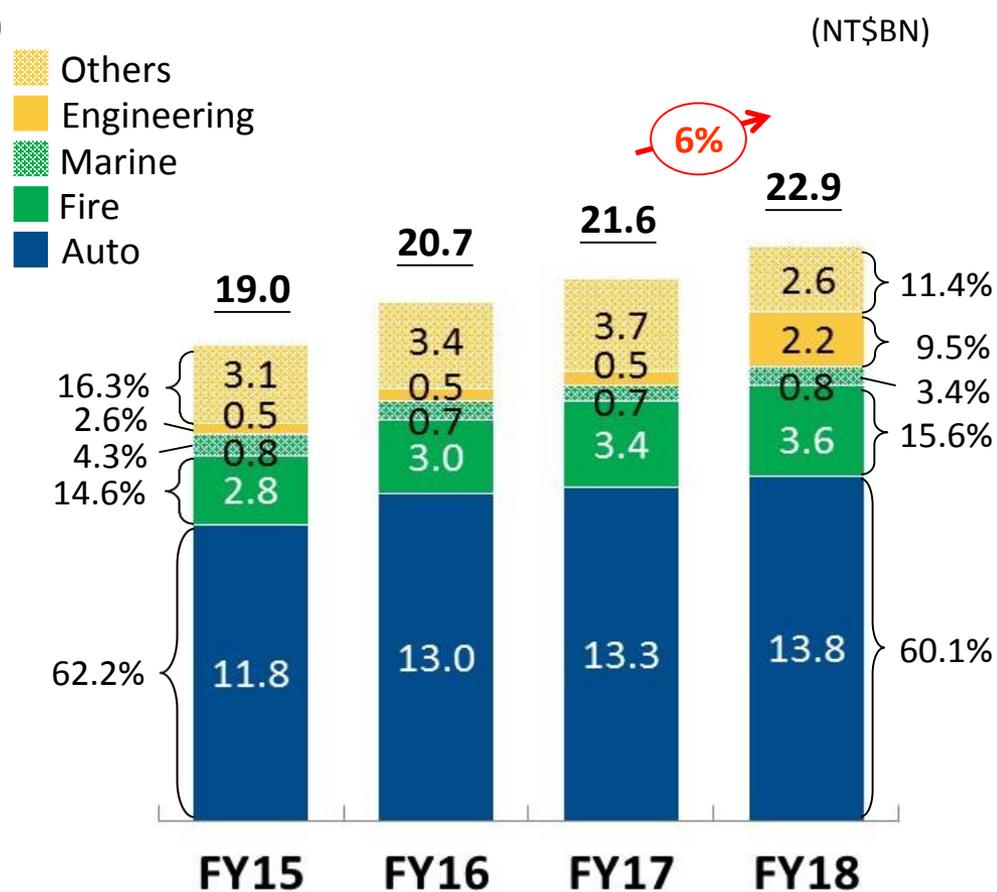
- **Appendix**

Cathay Century – Premium income

Premium income



Premium income (annual)



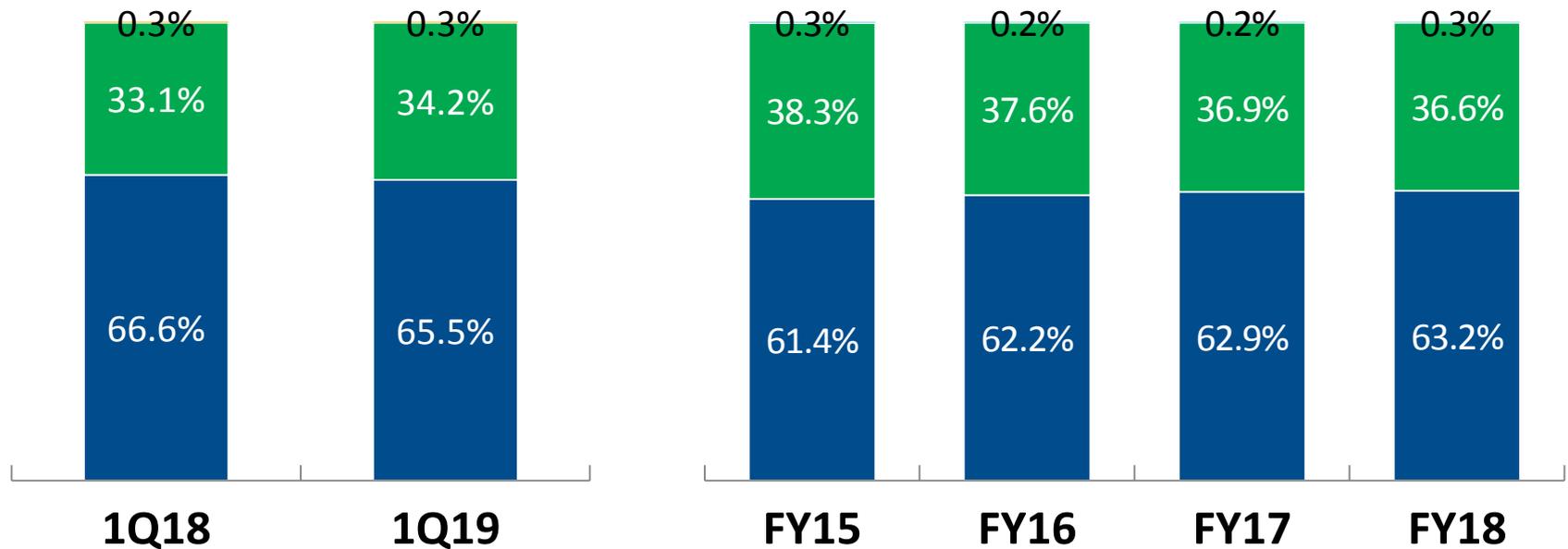
| | | | | | | |
|--------------|-------|-------|-------|-------|-------|-------|
| Market share | 11.8% | 11.8% | 13.3% | 13.6% | 13.1% | 13.0% |
| Retention | 79.4% | 78.5% | 74.9% | 75.7% | 76.2% | 77.1% |

Cathay Century –Distribution channel

Distribution channel

Distribution channel (annual)

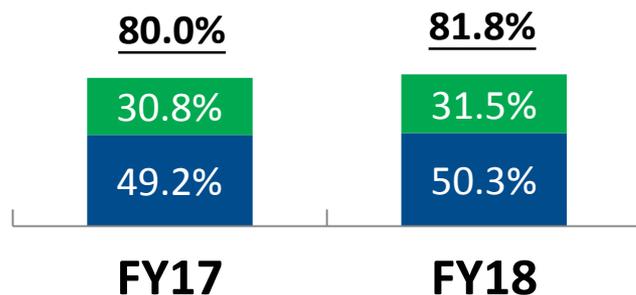
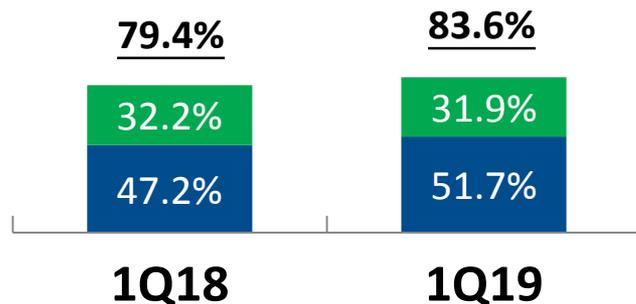
- Affiliate channels
- Cathay P&C agents
- Cathay group channel



Cathay Century – Combined ratio

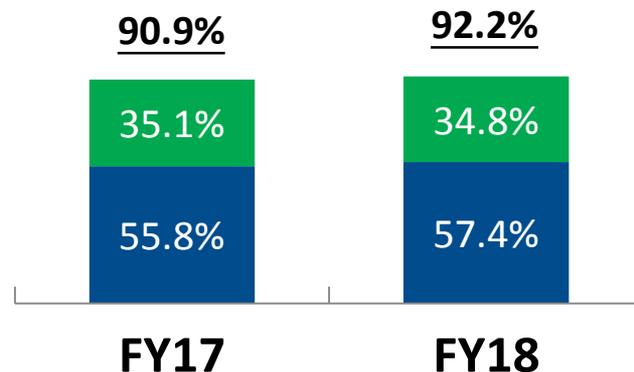
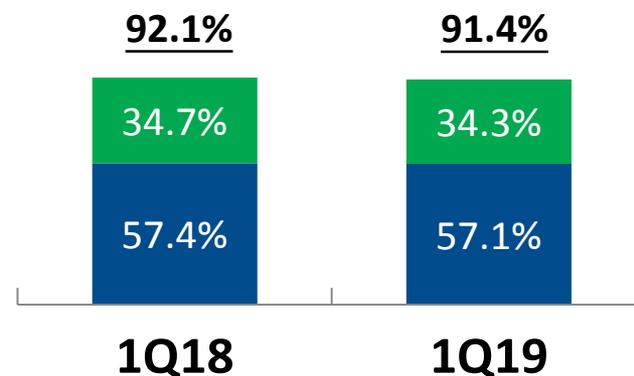
Gross combined ratio

- Gross expense ratio
- Gross loss ratio



Retained combined ratio

- Retained expense ratio
- Retained loss ratio



Agenda

- **1Q19 Business Overview**

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- **Cathay Life Embedded Value & Appraisal Value**

- **Impact of IFRS 17**

- **Appendix**

Embedded Value & Appraisal Value

NT\$BN, except for per share figures

| Valuation date | 2017/12/31 | 2018/12/31 |
|---|---|--|
| In-force business investment yield | 3.92% ~ Year 2037 5.05% for NTD policies 4.67% ~ Year 2037 5.82% for USD policies (Equivalent investment yield: 4.43% Rolling over to 2018: 4.51%) | 3.95% ~ Year 2038 5.00% for NTD policies 4.64% ~ Year 2038 5.78% for USD policies (Equivalent investment yield: 4.38%) |
| Risk discount rate | 10% | 10% |
| Adjusted net worth | 464 | 387 |
| Value of in-force business | 670 | 722 |
| Cost of capital (CoC) | -190 | -210 |
| Value of in-force business (After CoC) | 480 | 512 |
| Embedded Value (EV) | 944 | 898 |
| EV / per share | 164.8(75.1) | 156.9(71.5) |
| Future one year's new business investment yield | 2.91%~ Year 2037 4.91% for NTD policies 4.22% ~ Year 2037 5.84% for USD policies | 3.13%~ Year 2038 4.86% for NTD policies 4.66% ~ Year 2038 5.79% for USD policies |
| Value of future one year's new business (After CoC) | 54.5 | 52.0 |
| Appraisal Value (AV) | 1,416 | 1,351 |
| AV / per share | 247.3(112.7) | 235.9(107.5) |

Note: (1) EV/AV calculation does not include business of Cathay Life in China and Vietnam.

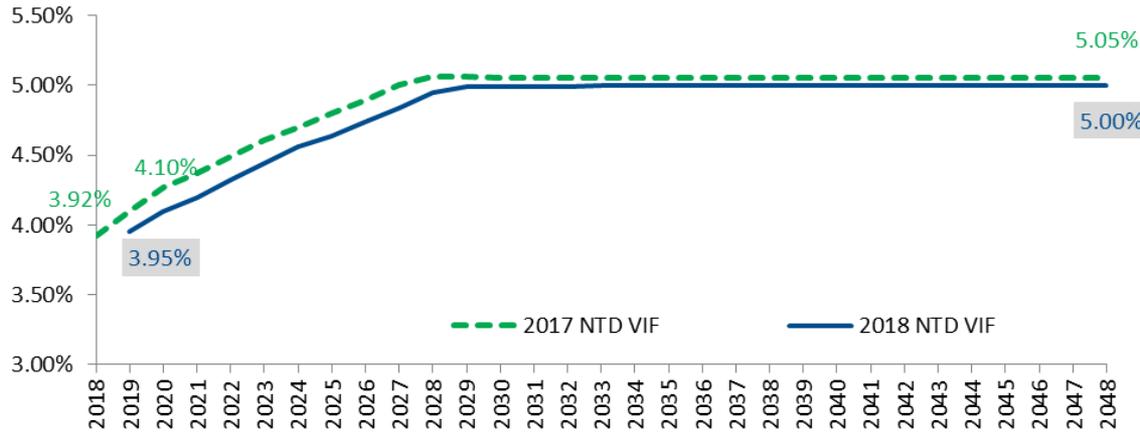
(2) per share = per share of Cathay Life; (per share) = per share of Cathay FHC

(3) The outstanding shares of Cathay Life and Cathay FHC are 5.7bn and 12.6bn, respectively. (The outstanding shares of Cathay Life in 2017 reflects capital injection in June 2018.)

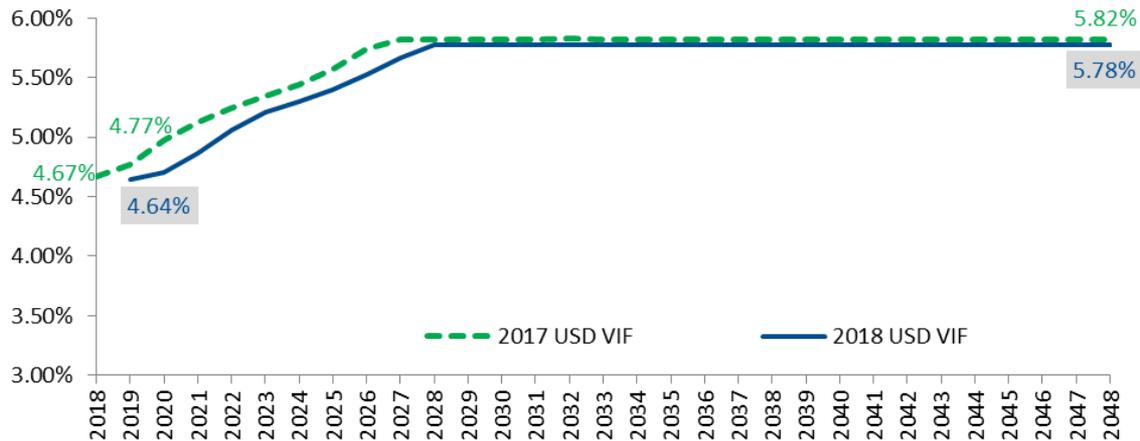
(4) May not sum to total due to rounding.

Economic Assumptions: In-force business investment yield

- Investment return assumptions for the value of in force business of NTD-denominated policies as of the end of 2017 & 2018.

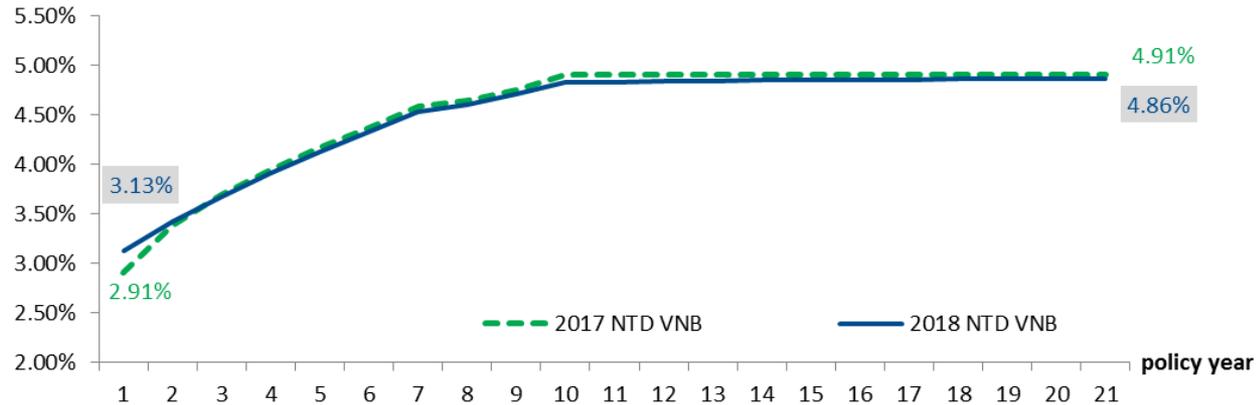


- Investment return assumptions for the value of in force business of USD-denominated policies as of the end of 2017 & 2018.

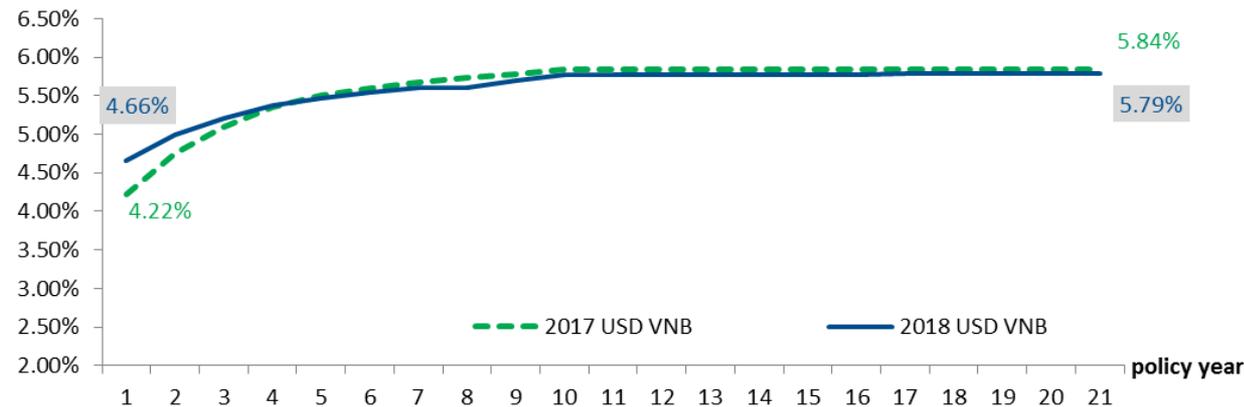


Economic Assumptions: Future one year's new business investment yield

- Investment return assumptions for the value of future one year's new business of NTD-denominated policies as of the end of 2017 & 2018.



- Investment return assumptions for the value of future one year's new business of USD-denominated policies as of the end of 2017 & 2018.



Cost of Capital Projection and Non-economic Assumptions

■ RBC capital requirement:

Apply 2018 RBC formula announced by Insurance Bureau to project future capital requirement.

1. Capital Requirement = 200% RBC.
2. Risk-based capital calculation reflects company's current and future operation status.
3. Reflect RBC calculation change in 2018 :

The risk factor of currency risk increases from 0.0425 to 0.0661.

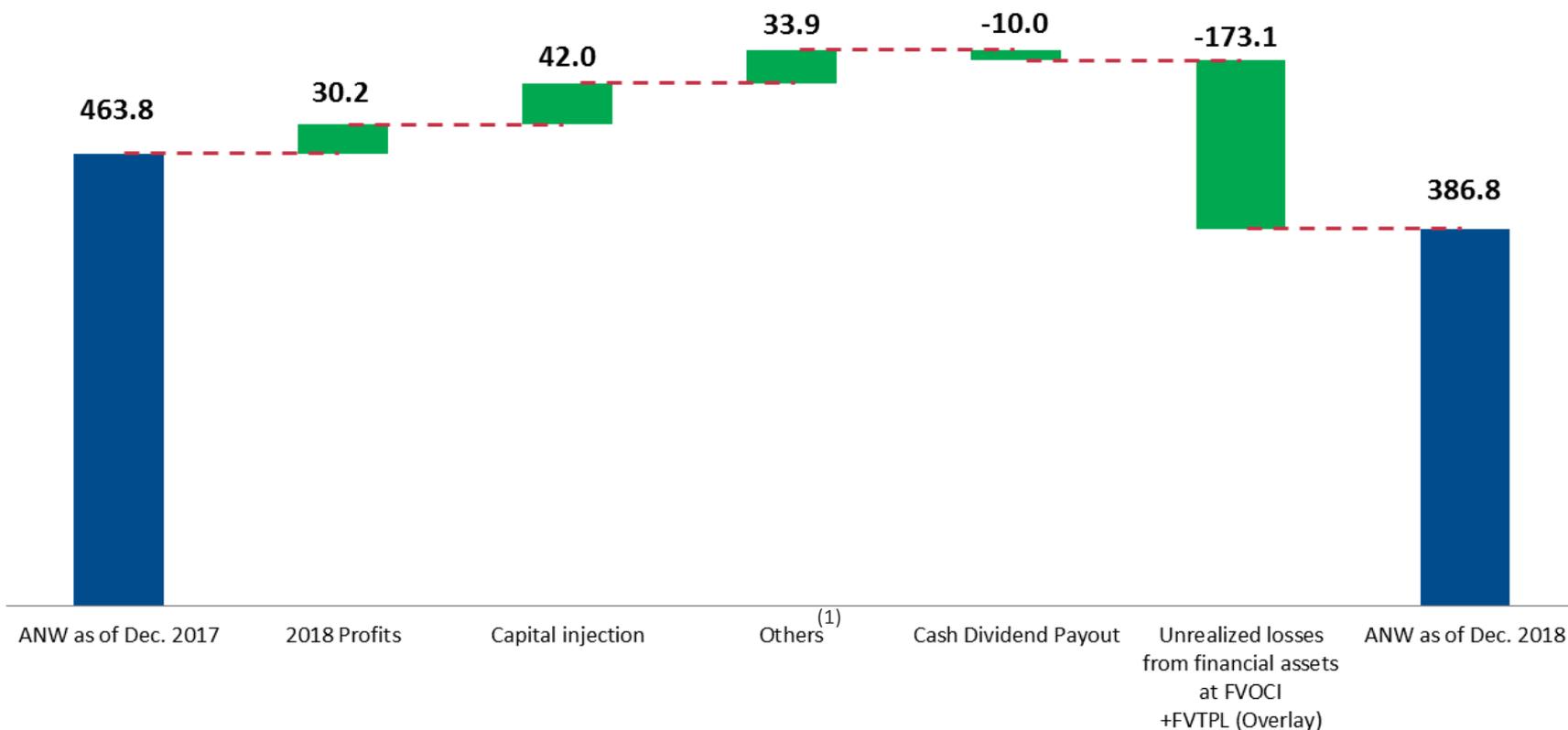
■ Experience rate:

| Experience Rate | Assumptions |
|---------------------|---|
| Mortality Rate | In accordance with Cathay's most updated mortality trends. |
| Morbidity Rate | In accordance with Cathay's most updated morbidity trends and varied by product type. |
| Lapse Rate | In accordance with Cathay's most updated lapse rate trends and varied by product type. |
| Expenses assumption | In accordance with Cathay's most updated expense analysis and varied by product type; commissions are based on the actual commission rates. |

- PricewaterhouseCoopers Asia Actuarial Services provides an independent review of the actuarial assumptions on EV.

Analysis of change in Adjusted Net Worth (ANW)

(NT\$BN)

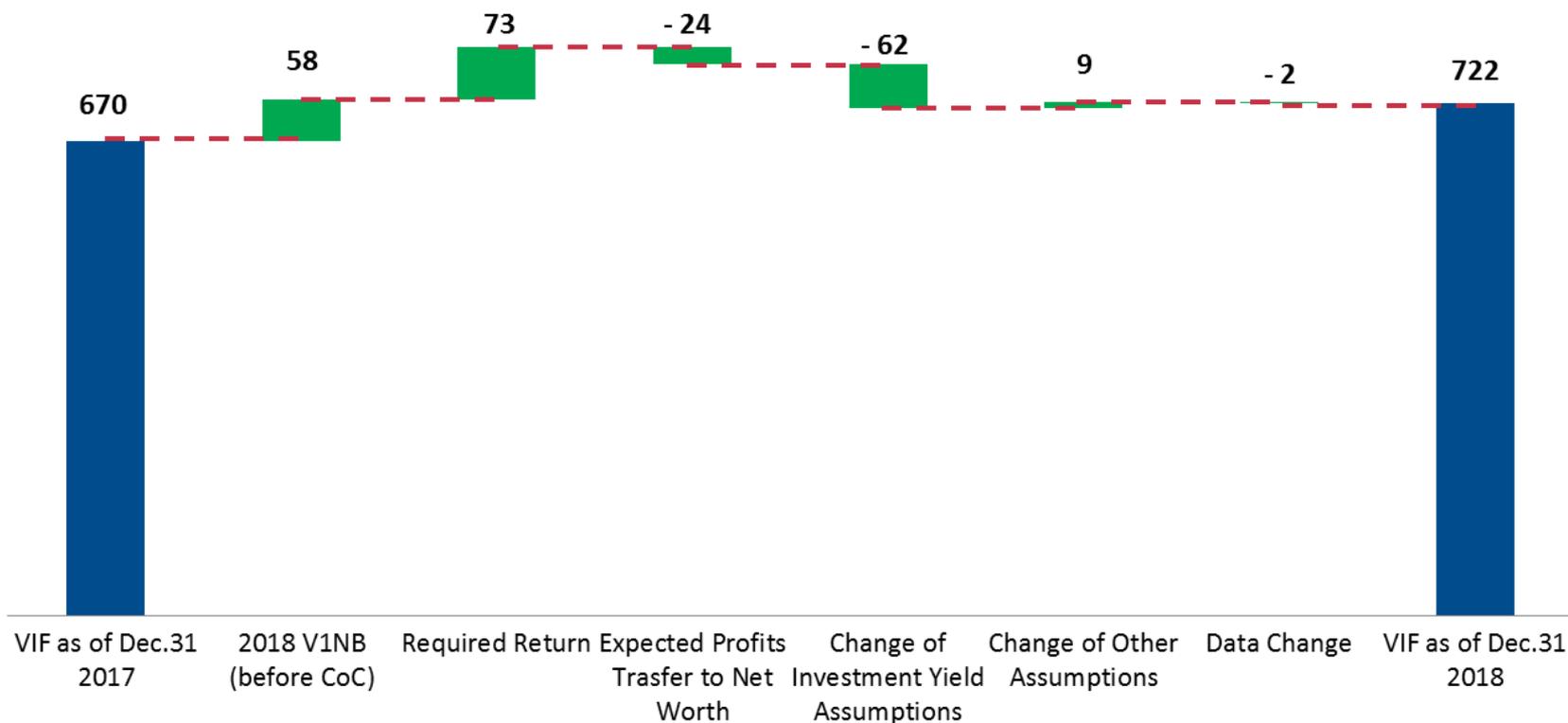


Note:

(1) Others mainly include effects on retrospective application and restatement of IFRS 9.

Analysis of change in value of in-force business (VIF)

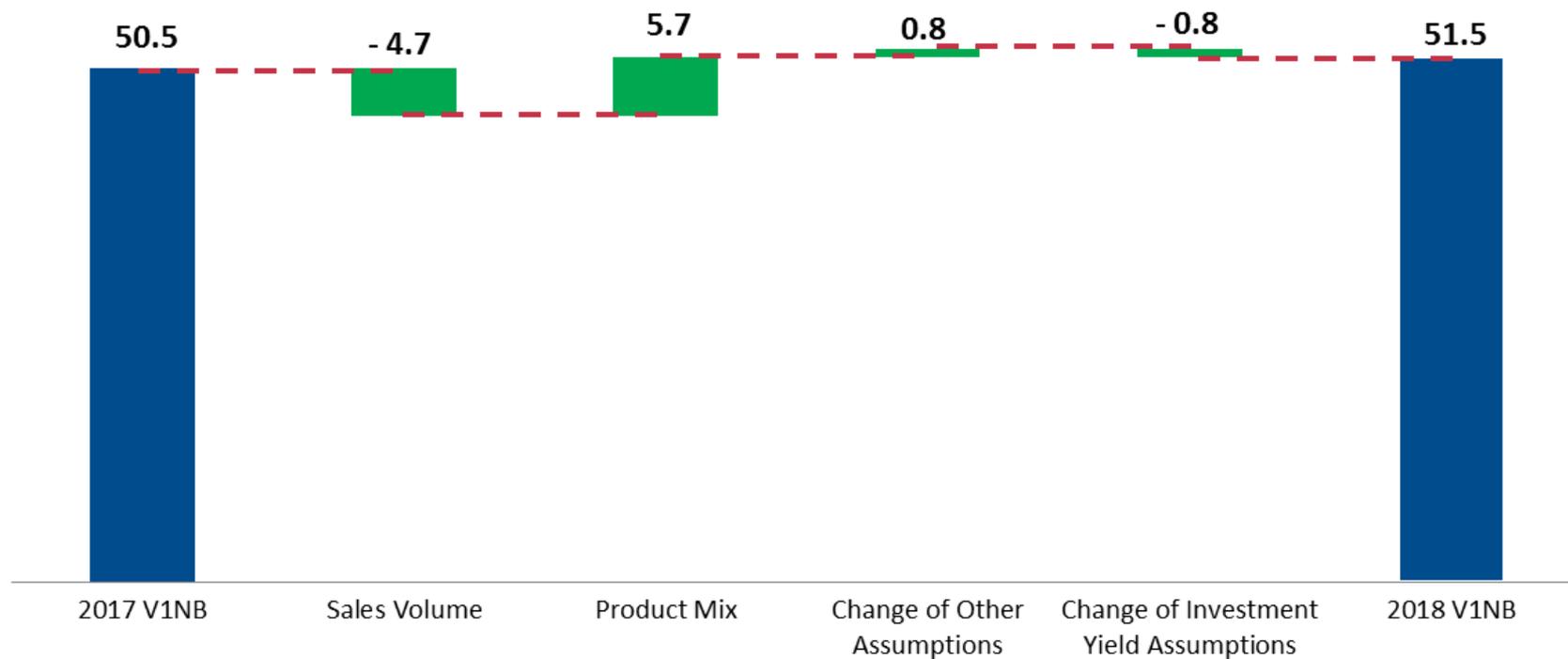
(NT\$BN)



■ The value of one year new business (after CoC) of 2018 is 51.5 billion.

Analysis of change in value of one year's new business (V1NB)

(NT\$BN)



Sensitivity Analysis

NT\$BN, except for per share figures

| Valuation date | 2018/12/31 | | | | | |
|---|--------------------------|--------------------------|--|------------------|----------------------|----------------------|
| | Investment yield - 0.25% | Investment yield + 0.25% | Investment yield + 0.25% (capped) ⁽¹⁾ | Base Case | Discount rate - 0.5% | Discount rate + 0.5% |
| Adjusted net worth | 387 | 387 | 387 | 387 | 387 | 387 |
| Value of in-force business | 592 | 852 | 794 | 722 | 768 | 680 |
| Cost of capital (CoC) | -220 | -201 | -205 | -210 | -202 | -218 |
| Value of in-force business (After CoC) | 371 | 651 | 589 | 512 | 566 | 462 |
| Embedded Value | 758 | 1,038 | 976 | 898 | 953 | 849 |
| EV / per share | 132.4 (60.4) | 181.3 (82.6) | 170.4 (77.7) | 156.9 (71.5) | 166.4 (75.9) | 148.3 (67.6) |
| Appraisal Value | 1,170 | 1,530 | 1,446 | 1,351 | 1,449 | 1,263 |
| Value of future one year's new business (After CoC) | 45.9 | 58.2 | 54.4 | 52.0 | 56.3 | 48.1 |
| AV / per share | 204.4 (93.2) | 267.2 (121.8) | 252.4 (115.1) | 235.9 (107.5) | 253.0 (115.3) | 220.6 (100.6) |

Note: (1) "Investment yield +0.25% (capped)" : the investment return is capped by 5.00% for NTD policies and 5.78% for USD policies.

(2) May not sum to total due to rounding.

YoY Comparison

Under the different discount rate assumption (9.5%~10.5%), the results of the Year 2017 & 2018 go as follows.

(NT\$BN)

| Valuation date | 2017/12/31 | 2018/12/31 |
|--|--------------------|--------------------|
| Embedded Value | 899~994 | 849~953 |
| Value of future one year's new business | 50.7~58.7 | 48.1~56.3 |
| Appraisal Value | 1,347~1,493 | 1,263~1,449 |

Summary

NT\$BN, except for per share figures

| Valuation date | | 2017 | 2018 | Growth rate | 1Q19 |
|----------------------------------|---|-------|-------|-------------|------|
| Embedded value | Equity | 436 | 357 | -18% | -- |
| | Adjusted net worth | 464 | 387 | -17% | -- |
| | Value of in-force business(before CoC) | 670 | 722 | 8% | -- |
| | Cost of capital (CoC) | -190 | -210 | 11% | -- |
| | Value in-force business (after CoC) | 480 | 512 | 7% | -- |
| | Embedded value | 944 | 898 | -5% | -- |
| Value of one year's new business | First year premium (FYP) | 233.2 | 211.6 | -9% | 60.7 |
| | First year premium equivalent (FYPE) | 78.6 | 71.4 | -9% | 29.1 |
| | Value of one year's new business (V1NB) | 50.5 | 51.5 | 2% | 20.0 |
| | Profit margin (V1NB/FYP) | 22% | 24% | -- | 33% |
| | Profit margin (V1NB/FYPE) | 64% | 72% | -- | 69% |
| | Profit margin (V1NB/FYP)(investment-linked(non-VUL)is excluded) | 57% | 52% | -- | 41% |
| Appraisal value (20 years NB) | Multiple | 8.7 | 8.7 | -- | -- |
| | Appraisal value | 1,416 | 1,351 | -5% | -- |
| Basic Value per share | EV / per share of Cathay FHC | 75.1 | 71.5 | -5% | -- |
| | AV / per share of Cathay FHC | 112.7 | 107.5 | -5% | -- |

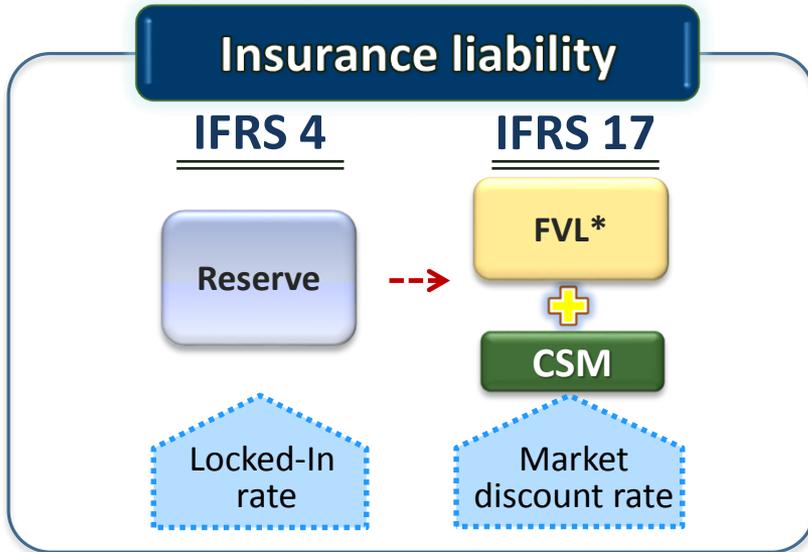
Note: (1) Basic EV and AV per share is based on weighted average of outstanding shares 12.6bn.

(2) Totals may not sum due to rounding.

Agenda

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 - Cathay Century
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- **Appendix**

IFRS 17 – Measurement



Profit indicators of new products



Note: 1. Fulfillment Value of Liabilities (FVL): present value of future cashflows derived from insurance sold, based on market discount rate at valuation date and most recent available actuarial assumptions.

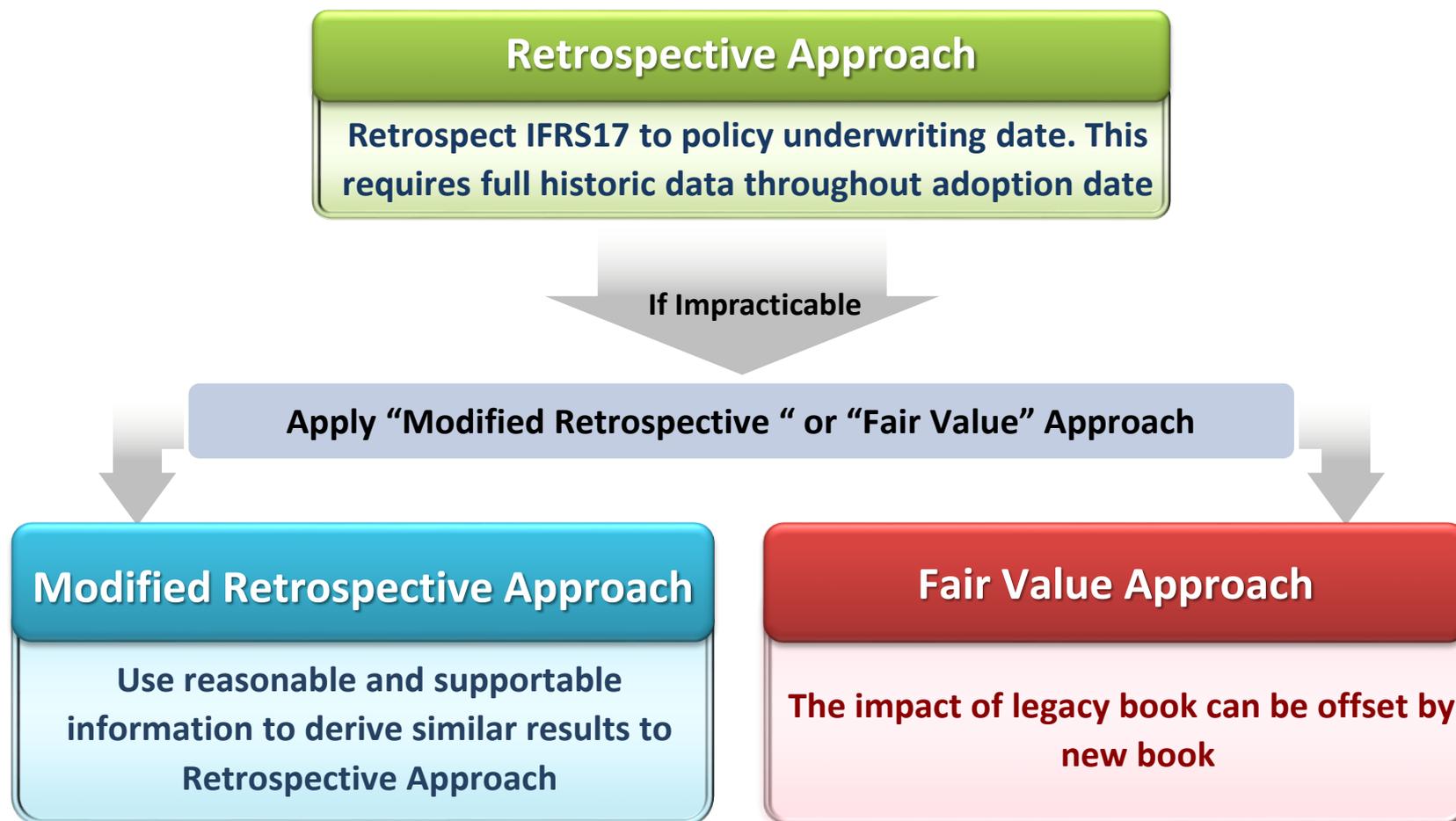
2. Contractual Service Margin (CSM): present value of future unearned profit from insurance contracts to be recognized in the remaining service period.

VNB vs CSM

| | VNB | VS. | CSM |
|---------------------------------------|---------------------------|-----|--------------------------------------|
| Investment Return | Company investment return | | Market discount rate |
| Discount Rate | 10% | | = Risk Free Rate + Liquidity Premium |
| Embedded Option Cost (Crediting Rate) | Deterministic Valuation | | Stochastic Valuation |

Comparable among companies

IFRS 17 – Adoption date



Note: Legacy book - contracts with guaranteed rates $\geq 4\%$
New book - contracts with guaranteed rates $<4\%$

Example – Learning from the case

- ❑ IFRS 17 implementation changes the measurement of insurance liability. It does not affect the value of insurance contracts but affects the timing of profit recognition for insurance services.
- ❑ Insurers need to mark to market both assets and liabilities.
- ❑ It may increase the volatility of shareholders' equity, hence asset-liability management expertise is critical.

IFRS 17 impact & preparation

Benefiting from IFRS 17

- The impact from legacy book is fully reflected on adoption date
- Reduce the interest expense of insurance liability thereafter



Value-driven product strategy

CSM-focused products

- Protection products with superior CSM margin (CSM/FYP)
- Savings products with positive CSM



Capital plan

Capital market volatility and IFRS 17 adoption

- Build adequate capital buffer
- Early preparation ahead of the industry

Healthier Industry development

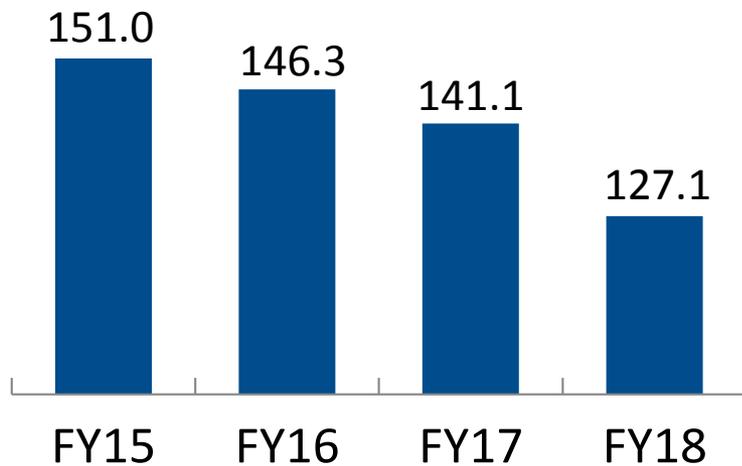
- Better risk-pricing disciplines among competitors restore industry profit margins
- Strong ALM expertise is critical for achieving stable financial performance

Agenda

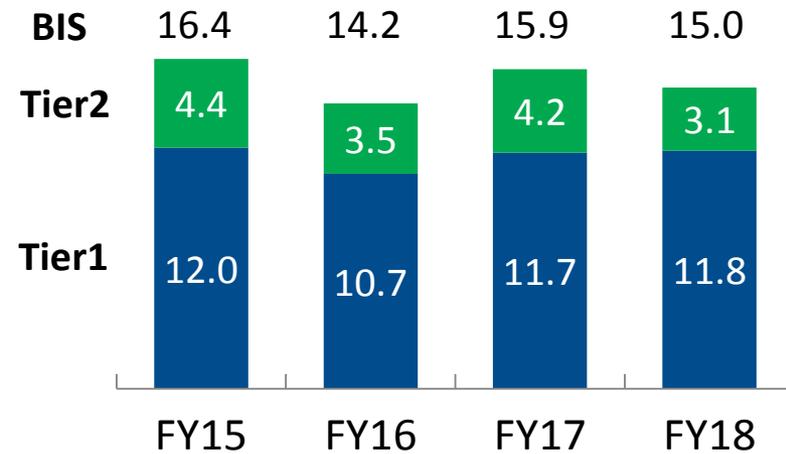
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Capital adequacy

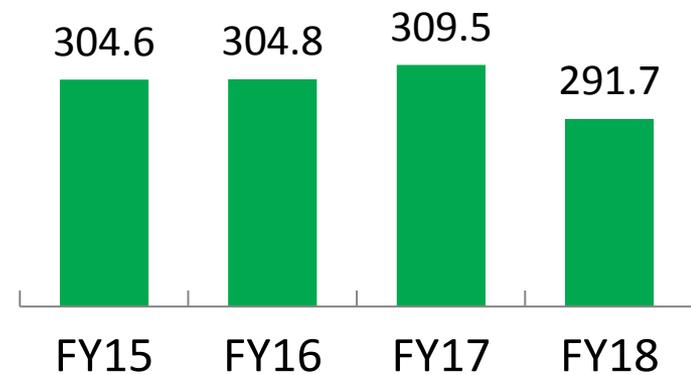
Cathay FHC CAR (%)



CUB Capital Adequacy (%)

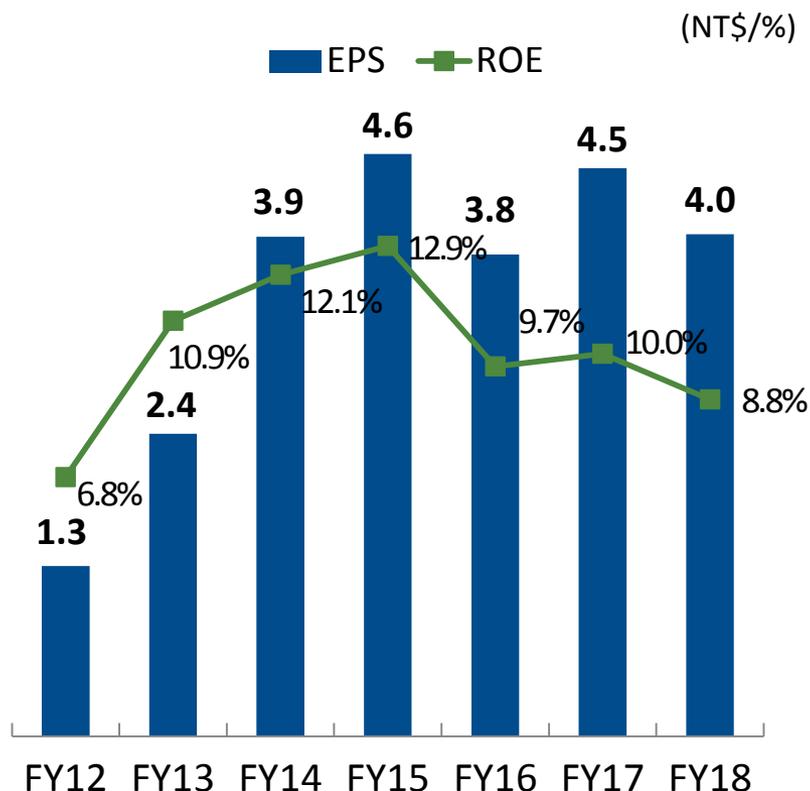


Cathay Life RBC (%)



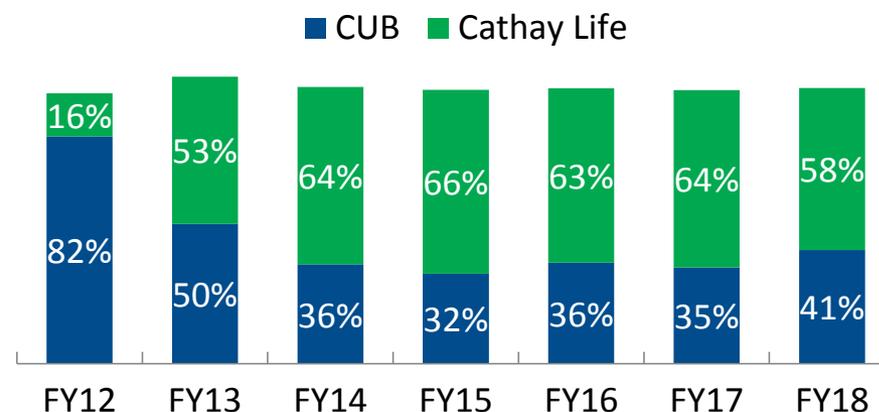
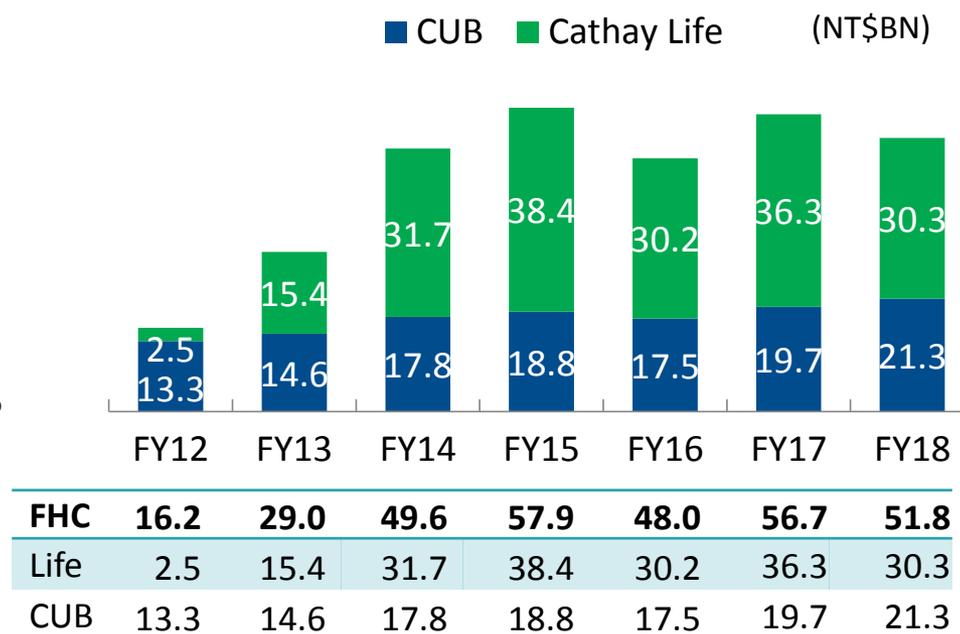
Cathay FHC continued to deliver solid earnings

EPS & ROE



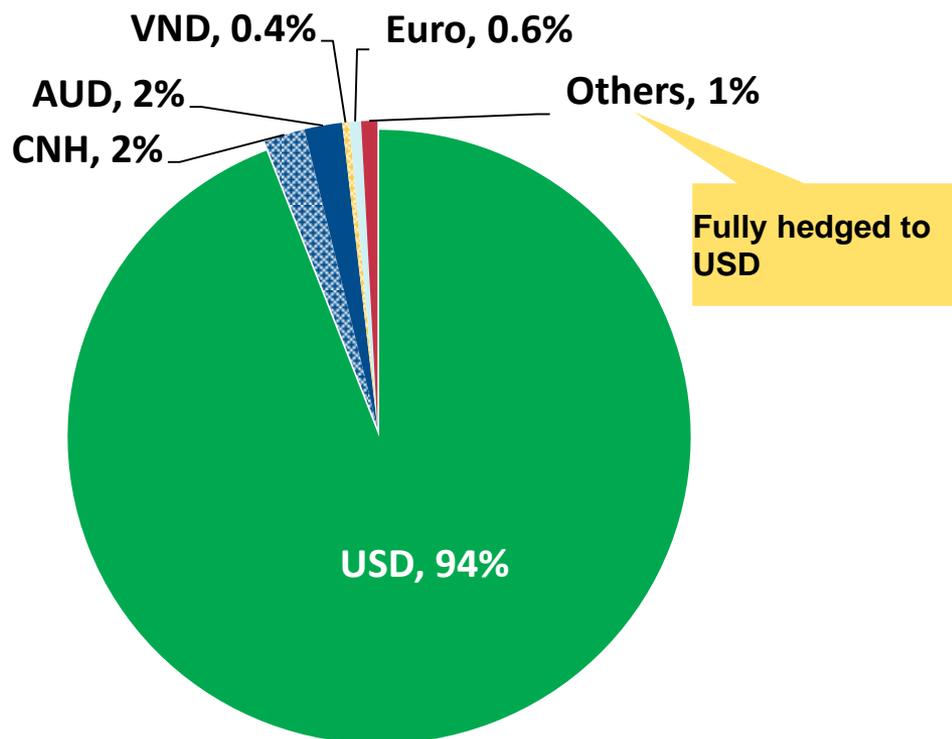
- Note: (1) FY13 figures do not reflect the impact from applying fair value method on investment property.
 (2) Since Cathay FHC has more subsidiaries other than Cathay Life and CUB, besides, due to affiliate transactions, the Cathay FHC net income might not equal to the sum of Cathay Life and CUB's.
 (3) EPS has been adjusted for stock dividend (stock split).

Profit contribution

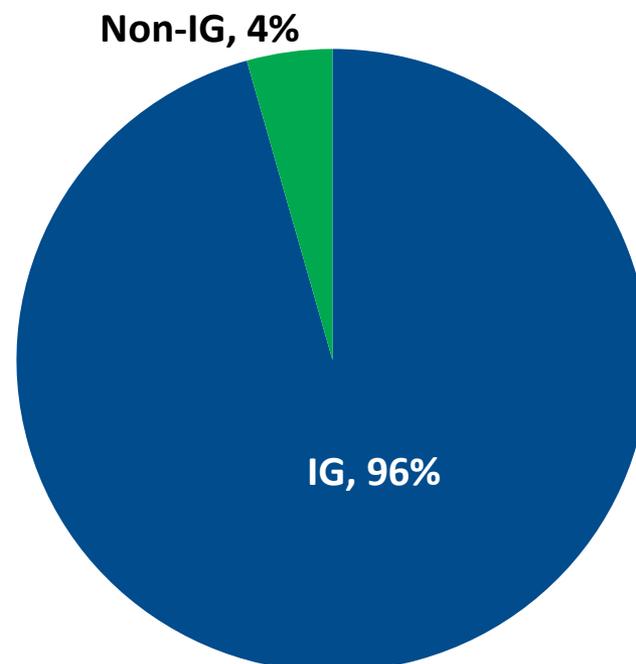


Cathay Life – Overseas bond breakdown by currency and rating

Overseas bond by currency (1Q19)



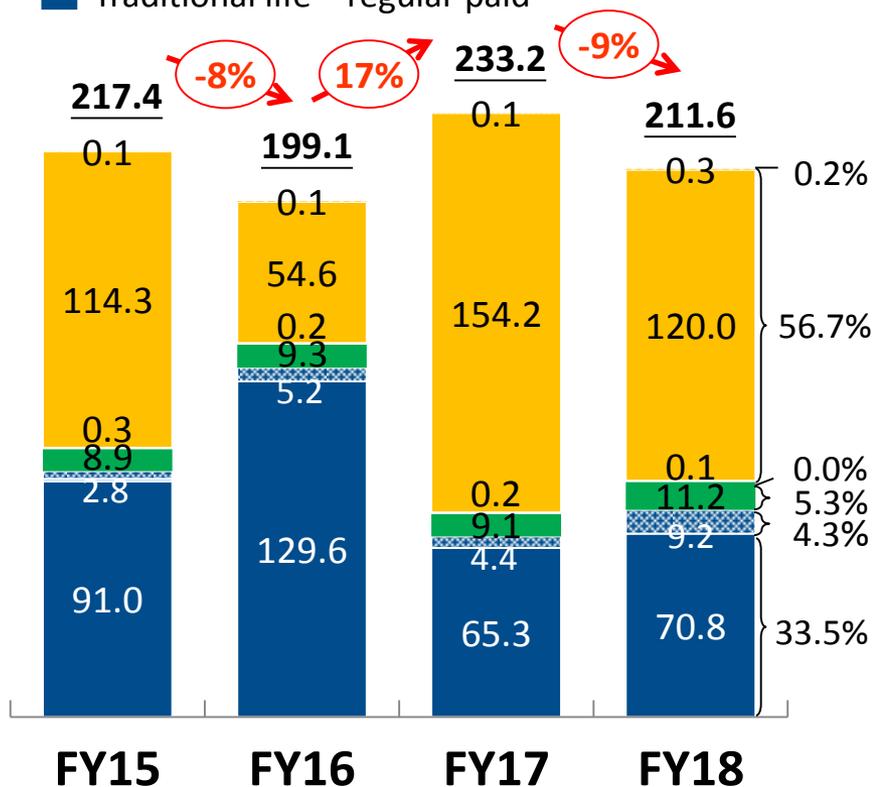
Overseas bond by rating (1Q19)



Cathay Life – FYP & APE

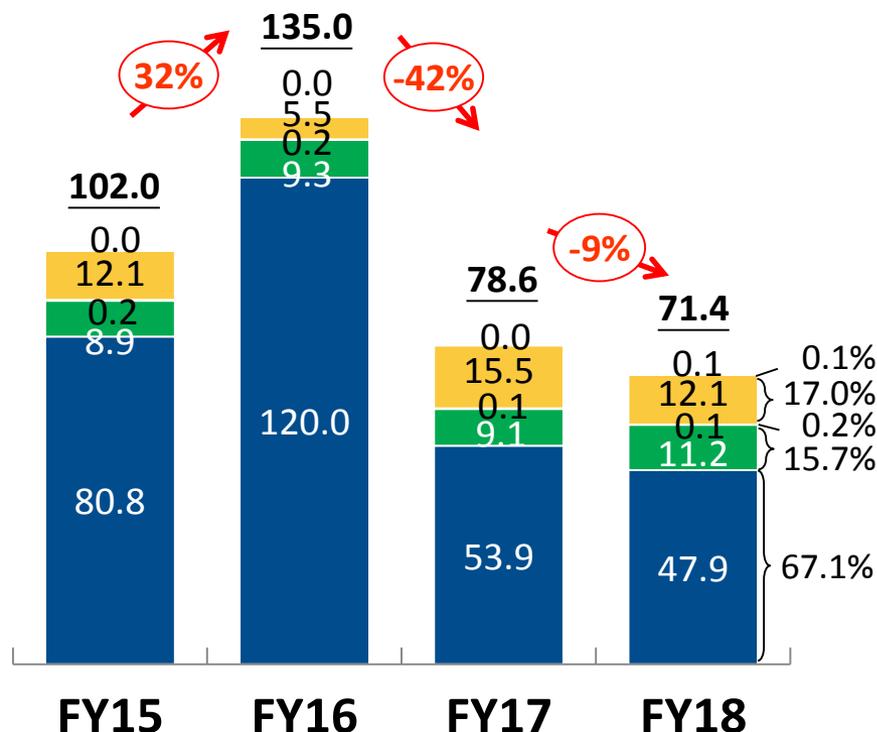
First Year Premium

- Interest sensitive annuity (NT\$BN)
- Investment-linked (non-VUL)
- Investment-linked (VUL)
- Health, accident and others
- Traditional life – single paid
- Traditional life – regular paid



Annualized FYP (APE)

- Interest sensitive annuity (NT\$BN)
- Investment-linked (non-VUL)
- Investment-linked (VUL)
- Health, accident and others
- Traditional life



Note: Annualized FYP = 10% x single-paid FYP + 20% x 2-yr-paid FYP + ... + 50% x 5-yr-paid FYP + 100% x 6-yr and above payment term FYP

Cathay Financial Holdings
(NT\$MMN)

| Income Statement Data (Consolidated) | FY16 | FY17 | FY18 | FY18/ | 1Q18 | 1Q19 | 1Q19/ |
|--|---------------|---------------|---------------|--------------|---------------|---------------|--------------|
| | | | | FY17 | | | % Chg |
| Operating Income | | | | | | | |
| Net interest income | 153,478 | 168,461 | 180,628 | 7% | 41,104 | 48,506 | 18% |
| Net commission and fee | (8,050) | 1,070 | 2,883 | 170% | 978 | (1,855) | -290% |
| Net earned premium | 622,916 | 624,617 | 576,811 | -8% | 136,368 | 159,865 | 17% |
| Change in liability reserve | (408,614) | (445,833) | (334,122) | -25% | (79,909) | (87,353) | -9% |
| Net claims payment | (308,697) | (295,503) | (368,656) | 25% | (89,750) | (102,420) | -14% |
| Investment income | 37,782 | 62,065 | 82,634 | 33% | 31,162 | 22,015 | -29% |
| Contribution from associates-equity method | 1,202 | 1,298 | 1,004 | -23% | 67 | 284 | 326% |
| Other net non-interest income | 40,606 | 22,446 | (1,378) | -106% | 1,215 | (1,309) | -208% |
| Bad debt expense | (5,232) | (3,460) | (4,599) | 33% | (417) | (437) | -5% |
| Operating expense | (75,207) | (75,526) | (79,606) | 5% | (19,020) | (21,769) | -14% |
| Income before taxes | 50,185 | 59,636 | 55,599 | -7% | 21,799 | 15,527 | -29% |
| Income taxes | (2,145) | (2,962) | (3,777) | 27% | 1,458 | (1,977) | -236% |
| Net income | 48,039 | 56,673 | 51,822 | -9% | 23,257 | 13,550 | -42% |
| EPS (NT\$) | 3.79 | 4.47 | 3.95 | | 1.84 | 1.05 | |
| Dividend Payout | | | | | | | |
| Cash dividend per share | 2.00 | 2.50 | | | | | |
| Stock dividend per share | 0.00 | 0.00 | | | | | |
| Weighted average outstanding shares (Millions of common shares) | 12,563 | 12,563 | 12,563 | | 12,563 | 12,563 | |
| Balance Sheet Data (Consolidated) | | | | | | | |
| Total assets | 8,135,137 | 8,841,510 | 9,224,484 | | 8,961,966 | 9,542,838 | |
| Total shareholders' equity | 529,824 | 608,471 | 529,289 | | 608,892 | 661,118 | |
| Operating Metrics | | | | | | | |
| ROAE (Consolidated) | 9.70% | 9.96% | 8.83% | | 14.85% | 9.11% | |
| ROAA (Consolidated) | 0.61% | 0.67% | 0.57% | | 1.04% | 0.58% | |
| Double leverage ratio(inc. preferred stock) | 105% | 108% | 112% | | 108% | 110% | |
| Capital Adequacy Metrics | | | | | | | |
| Capital Adequacy Ratio | 146% | 141% | 127% | | | | |

Notes:

(1) All data and information on this page is provided for informational purposes only, and may subject to adjustment.

For more details, please refer to our official financial reports.

(2) Total may not sum due to rounding.

(3) Starting from 2018/1/1, Cathay FHC adopted IFRS9. The comparative information for prior periods was not restated.

Cathay Life

(NT\$MN)

| <u>Income Statement Data (Consolidated)</u> | FY16 | FY17 | FY18 | FY18/ FY17 | 1Q18 | 1Q19 | 1Q19/ 1Q18 |
|---|-----------|-----------|-----------|---------------|----------|-----------|---------------|
| | | | | % Chg | | | % Chg |
| Net written premium | 605,910 | 608,404 | 559,386 | -8% | 132,246 | 155,519 | 18% |
| Net earned premium | 605,231 | 607,547 | 558,929 | -8% | 132,524 | 155,749 | 18% |
| Reinsurance commission earned | 363 | 301 | 762 | 153% | 55 | (9) | -117% |
| Fee income | 5,542 | 9,468 | 9,148 | -3% | 2,660 | 1,957 | -26% |
| Recurring investment income | 161,051 | 173,846 | 197,281 | 13% | 40,343 | 52,437 | 30% |
| Gain on disposal of investment | | | | | | | |
| Realized gain (loss)-Equity | 18,210 | 43,625 | 49,374 | 13% | 25,090 | 13,805 | -45% |
| Realized gain (loss)-Debt | 29,382 | 21,233 | 15,092 | -29% | 8,810 | 5,661 | -36% |
| Gain on investment property | 5,000 | (756) | (740) | 2% | (19) | (2) | 91% |
| FX and others, net | (21,333) | (28,258) | (44,019) | -56% | (11,141) | (15,629) | -40% |
| Investment income, net | 192,310 | 209,691 | 216,988 | 3% | 63,083 | 56,272 | -11% |
| Other operating income | 5,032 | 5,069 | 5,508 | 9% | 1,290 | 1,420 | 10% |
| Separate account revenues | 39,589 | 44,304 | 28,084 | -37% | 2,678 | 24,825 | 827% |
| Net claims payment | (297,201) | (284,023) | (357,244) | 26% | (87,255) | (100,063) | 15% |
| Changes in liability reserves | (408,398) | (445,843) | (333,716) | -25% | (80,035) | (87,126) | 9% |
| Acquisition and commission expense | (38,901) | (32,507) | (33,900) | 4% | (8,620) | (11,543) | 34% |
| Other operating costs | (6,381) | (6,418) | (7,765) | 21% | (2,063) | (1,440) | -30% |
| Financial cost | (413) | (1,963) | (2,331) | 19% | (568) | (643) | 13% |
| Separate account expense | (39,589) | (44,304) | (28,084) | -37% | (2,678) | (24,825) | 827% |
| Operating expense | (30,768) | (28,790) | (29,165) | 1% | (7,366) | (7,828) | 6% |
| Net non-operating income | 1,956 | 1,442 | 1,312 | -9% | 324 | 358 | 10% |
| Income taxes | 1,861 | 2,294 | 1,773 | -23% | 2,697 | (659) | -237% |
| Net income | 30,235 | 36,268 | 30,297 | -16% | 16,727 | 6,446 | -61% |

Balance Sheet Data

| | | | | | | |
|---|-----------|-----------|-----------|--|-----------|-----------|
| Total assets | 5,556,950 | 6,097,655 | 6,391,395 | | 6,176,772 | 6,649,760 |
| General account | 5,058,936 | 5,542,385 | 5,844,430 | | 5,617,725 | 6,064,672 |
| Separate account | 498,014 | 555,269 | 546,964 | | 559,047 | 585,088 |
| Reserves for life insurance liabilities | 4,567,324 | 4,944,292 | 5,313,167 | | 4,999,017 | 5,407,866 |
| Total liabilities | 5,192,967 | 5,656,473 | 6,029,265 | | 5,743,851 | 6,167,612 |
| Total shareholders' equity | 363,984 | 441,181 | 362,129 | | 432,921 | 482,148 |

Operating Metrics (Standalone)

| | | | | | | |
|-------------------------------------|---------|---------|---------|--|--------|--------|
| First Year Premium(FYP) | 199,082 | 233,250 | 211,588 | | 67,879 | 60,711 |
| First Year Premium Equivalent(FYPE) | 135,035 | 78,602 | 71,372 | | 21,443 | 29,098 |
| Expense ratio | 10.3% | 8.6% | 9.6% | | 10.3% | 11.0% |
| 13-M persistency ratio | 98.3% | 98.2% | 98.4% | | 98.4% | 98.0% |
| 25-M persistency ratio | 92.2% | 94.3% | 94.7% | | 94.5% | 95.6% |
| ROAE | 8.49% | 9.01% | 7.25% | | 14.76% | 6.11% |
| ROAA | 0.56% | 0.62% | 0.48% | | 1.09% | 0.40% |

Capital Adequacy Metrics (Standalone)

| | | | |
|-----------|------|------|------|
| RBC ratio | 305% | 309% | 292% |
|-----------|------|------|------|

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(3) Starting from 2018/1/1, Cathay Life adopted IFRS9. The comparative information for prior periods was not restated.

Cathay United Bank

| (NT\$MN) | | | | FY18/ FY17 | | | 1Q19/ 1Q18 |
|--|-----------|-----------|-----------|---------------|-----------|-----------|---------------|
| <u>Income Statement Data (Consolidated)</u> | FY16 | FY17 | FY18 | % Chg | 1Q18 | 1Q19 | % Chg |
| Operating Income | | | | | | | |
| Net interest income | 25,910 | 29,701 | 33,397 | 12% | 7,711 | 8,844 | 15% |
| Fee income | 15,745 | 14,862 | 16,678 | 12% | 4,483 | 4,671 | 4% |
| Investment income | 8,278 | 9,442 | 9,862 | 4% | 2,075 | 3,201 | 54% |
| Other income | 1,222 | 1,216 | 918 | -25% | 179 | 92 | -48% |
| Net operating income | 51,154 | 55,222 | 60,855 | 10% | 14,448 | 16,808 | 16% |
| Operating expenses | (26,959) | (29,301) | (31,340) | 7% | (7,075) | (8,615) | 22% |
| Pre-provision profit | 24,195 | 25,920 | 29,515 | 14% | 7,373 | 8,193 | 11% |
| Net provisions for possible losses | (4,455) | (3,494) | (5,032) | 44% | (433) | (750) | 73% |
| Income before taxes | 19,740 | 22,426 | 24,483 | 9% | 6,940 | 7,443 | 7% |
| Income tax | (2,229) | (2,763) | (3,230) | 17% | (1,136) | (1,070) | -6% |
| Net income | 17,511 | 19,664 | 21,253 | 8% | 5,803 | 6,373 | 10% |
| Balance Sheet Data | | | | | | | |
| Total assets | 2,566,669 | 2,735,704 | 2,843,881 | | 2,777,640 | 2,888,130 | |
| Loans, net | 1,437,531 | 1,434,558 | 1,595,323 | | 1,503,695 | 1,623,041 | |
| Financial assets | 849,989 | 859,590 | 878,001 | | 922,363 | 835,796 | |
| Total liability | 2,406,701 | 2,553,396 | 2,638,074 | | 2,587,301 | 2,672,499 | |
| Deposits | 2,032,600 | 2,098,368 | 2,227,662 | | 2,117,166 | 2,248,100 | |
| Financial Debenture Payable | 51,900 | 63,350 | 55,600 | | 59,500 | 55,600 | |
| Total shareholders' equity | 159,968 | 182,308 | 205,807 | | 190,339 | 215,631 | |
| Operating Metrics | | | | | | | |
| Cost income ratio | 52.70% | 53.06% | 51.50% | | 48.97% | 51.25% | |
| ROAE | 11.06% | 11.49% | 10.86% | | 12.35% | 12.10% | |
| ROAA | 0.71% | 0.74% | 0.76% | | 0.84% | 0.89% | |
| Assets Quality (Standalone) | | | | | | | |
| NPL | 2,133 | 2,982 | 2,563 | | 2,917 | 2,870 | |
| NPL ratio | 0.15% | 0.21% | 0.16% | | 0.20% | 0.18% | |
| NPL provisions | 19,686 | 22,553 | 23,879 | | 22,701 | 24,804 | |
| Coverage ratio | 923% | 756% | 932% | | 778% | 864% | |
| Capital Adequacy Metrics (Standalone) | | | | | | | |
| BIS ratio | 14.2% | 15.9% | 15.0% | | | | |
| Tier I Ratio | 10.7% | 11.7% | 11.9% | | | | |
| LDR (Standalone) | | | | | | | |
| TWD LDR | 78.8% | 73.7% | 77.7% | | 77.5% | 77.7% | |
| FX LDR | 40.4% | 49.1% | 46.6% | | 48.1% | 48.2% | |

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Cathay Century

| (NT\$MM) | | | | FY18/ FY17 | | | 1Q19/ 1Q18 |
|---|---------|---------|---------|---------------|---------|---------|---------------|
| <u>Income Statement Data (Consolidated)</u> | FY16 | FY17 | FY18 | % Chg | 1Q18 | 1Q19 | % Chg |
| Premium income | 22,774 | 21,878 | 23,186 | 6% | 5,364 | 5,775 | 8% |
| Net written premium | 17,390 | 16,610 | 17,797 | 7% | 4,254 | 4,482 | 5% |
| Net earned premium | 17,213 | 16,344 | 17,349 | 6% | 4,153 | 4,456 | 7% |
| Reinsurance commission earned | 526 | 489 | 556 | 14% | 141 | 162 | 15% |
| Fee income | 44 | 42 | 43 | 3% | 11 | 11 | -2% |
| Investment | 2,082 | 892 | 640 | -28% | 247 | 205 | -17% |
| Interest income | 568 | 547 | 559 | 2% | 134 | 132 | -2% |
| Other investment income, net | 1,514 | 345 | 81 | -76% | 112 | 74 | -34% |
| Other operating income | 0 | 0 | 0 | | 0 | 0 | 0% |
| Net claims payment | (9,559) | (9,138) | (9,408) | 3% | (2,411) | (2,289) | 5% |
| Changes in liability reserves | (209) | 10 | (406) | 4148% | 125 | (227) | -282% |
| Commissions and other operating costs | (3,015) | (2,859) | (3,043) | 6% | (763) | (764) | 0% |
| Operating expenses | (4,248) | (3,609) | (3,848) | 7% | (907) | (974) | -7% |
| Operating income | 2,834 | 2,170 | 1,883 | -13% | 596 | 579 | -3% |
| Net non-operating income | (1) | (16) | (24) | -53% | (5) | 0 | 108% |
| Income taxes | (492) | (297) | (349) | 18% | 109 | 98 | -10% |
| Net income | 2,342 | 1,858 | 1,510 | -19% | 483 | 482 | 0% |
| <u>Balance Sheet Data</u> | | | | | | | |
| Total assets | 38,250 | 38,351 | 37,956 | | 38,171 | 38,749 | |
| Total stockholders' equity | 9,216 | 10,517 | 10,025 | | 10,917 | 10,999 | |
| <u>Operating Metrics</u> | | | | | | | |
| Gross Combined ratio | 99.3% | 80.0% | 81.8% | | 79.4% | 83.6% | |
| Net Combined ratio | 93.3% | 90.9% | 92.2% | | 92.1% | 91.4% | |
| ROAE | 28.50% | 18.83% | 14.69% | | 18.01% | 18.34% | |
| ROAA | 5.83% | 4.85% | 3.96% | | 5.05% | 5.02% | |
| <u>Capital Adequacy Metrics</u> | | | | | | | |
| RBC ratio (Standalone) | 385% | 392% | 370% | | | | |

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